Stakeholder Accountability in the Australian Not-for-Profit Sector

by

Jinhua (Jessica) Chen

BCom – Accounting (Honours), Macquarie University

A thesis submitted to Macquarie University in fulfillment of the requirement for the degree of Doctor of Philosophy in the Faculty of Business and Economics

July 2014

Declaration

The work presented in this thesis has not been submitted for a higher degree to any other university or institution. The source of information used and the extent to which the work of others has been utilized is acknowledged in the thesis. Ethics Committee approval has been obtained (Reference number: 5201100553).

Jinhua (Jessica) Chen

Acknowledgments

I wish to express my deepest appreciation to all those who provided me the possibility of completing this thesis. I am grateful to my supervisors Associate Professor Maria Dyball and Associate Professor Alan Kilgore, who gave me continuous guidance, constant encouragement and tremendous support throughout my PhD journey. I am indeed heavily indebted to Emeritus Professor Graeme Harrison for his invaluable contribution to the thesis and for always cheering me up and helping me through every single challenge that I encountered in the journey. Also, I wish to express my gratitude to Professor Lorne Cummings and Associate Professor Peter Petocz for their assistance and support for my PhD. Along with them, I acknowledge the help and encouragement that I received from many other colleagues at Macquarie University and from the friendly staff at the Higher Degree Research Office.

Many thanks go to the Accounting & Finance Association of Australia and New Zealand (AFAANZ), which provided generous funding for the data collection of this thesis. Also, I thank the kind support of those not-for-profit organizations that participated in the survey for the thesis and the pre-test of the survey questionnaire. Further, I wish to express my gratitude to Mrs Susan Watts, who offered great assistance in the data collection for the thesis.

Last but not least, I thank my friends and family for their understanding and unwavering support for my PhD, especially my husband, my son, and my parents and siblings.

Stakeholder Accountability in the Australian Not-for-Profit Sector

Abstract

In recent decades, not-for-profit (NFP) accountability has become an increasingly important research area in Australia and worldwide due to the sector's growing presence in the economic and social landscape. In response to ongoing significant reforms in the sector in Australia and limited knowledge in the area, this thesis examines stakeholder accountability in the Australian NFP sector. The data for the thesis were collected via a mail survey of the top management of 621 NFP organizations (NFPs) across Australia. The thesis is by publication format and comprises three inter-related but distinct papers.

The first paper constructs and validates a scale for Jones et al.'s (2007) stakeholder culture in the NFP context. Jones et al.'s (2007) theoretical typology of stakeholder culture, representing the beliefs, values and practices that an organization exhibits toward stakeholders, is particularly relevant for NFPs. However, a scale to measure the construct is absent in the literature. A stakeholder culture scale is constructed following an extensive literature review and consultations with academics and NFP personnel. Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) were conducted to assess the internal structure and psychometric properties of the scale. The results establish the scale's reliability and validity.

The second paper applies and tests Mitchell et al.'s (1997) stakeholder salience framework in the NFP context. The study identifies salient stakeholders in NFPs and examines the influence of three stakeholder attributes, namely, power, moral legitimacy and urgency, on stakeholder salience. The study also tests the moderating effects of top management's values and stakeholder culture (as constructed in the first paper) on the relation between the stakeholder attributes and stakeholder salience. The results support the application of Mitchell et al.'s (1997) stakeholder salience framework in the NFP context and support Jones et al.'s (2007) propositions concerning the moderating role of stakeholder culture on the stakeholder attributes and salience relation.

The third paper examines NFPs' use of accountability mechanisms and investigates the association between stakeholder characteristics (i.e., stakeholder power and stakeholder salience as examined in the second paper) and NFPs' use of accountability mechanisms. The results indicate that while the use of the accountability mechanism of participation is related to client power, the use of accountability mechanisms of performance assessment and evaluation and self-regulation is driven by funding agents' salience.

The results of the three papers allow the conclusion that, even in times of regulatory uncertainty and hostile funding competition, NFPs still genuinely care for their clients and view clients as the most salient stakeholder group. However, in practice, NFPs pay more attention to addressing funding agents' accountability requirements. In the NFP context, stakeholder salience is driven primarily by the stakeholder attributes of power and urgency. The findings of the thesis make important theoretical contributions to the literature and have significant practical implications for NFP management in strategy formulation and implementation and for regulatory bodies in policy deliberation.

Table of Contents

CHAPTER 1

OVERVIEW OF THE THESIS

1. Introduction

1.1 Motivation

This thesis examines stakeholder culture, stakeholder salience and accountability mechanisms in Australian not-for-profit organizations (NFPs). NFPs have emerged as a distinct third sector (the other two being the government/public sector and the for-profit sector) that exerts significant economic and social impact on the Australian community. NFPs play a vital role by delivering social services that are not commercially viable for for-profit organizations, or within the core ambit of governmental responsibility (Chenhall et al., 2010; Dahan et al., 2010; Fischer et al., 2011; Harsh et al., 2010). A not-for-profit (NFP) organization is defined by the Australian Taxation Office (ATO) as one that "is not operating for the profit or gain of its individual members" (Australian Taxation Office, 2011).[1] There are about 600,000 NFPs in Australia, 59,000 of which are economically significant as they contributed $43 billion to the economy and 8% of overall employment in the 2006-2007 period (Productivity Commission, 2010).

Internationally, NFP accountability is an increasingly important area of research. This is due to the sector's rapid growth and significant role in social, economic, cultural and environmental areas in many countries (Costa et al., 2011; Ebrahim, 2003). It is also due to direct government interest and inquiry (Senate Standing Committee on Economics, 2008) and public criticism (Baulderstone, 2007), arising from a number of high profile scandals in the sector (Dhanani & Connolly, 2012; Gibelman & Gelman, 2001; Gugerty, 2009; Murtaza, 2012; Walden, 2006) and the increasing for-profit activities undertaken by NFPs (Adams & Simnett, 2011; Costa et al., 2011; Nevile, 2009; Rothschild & Milofsky, 2006). Consequently, "NGO accountability is one of the hottest topics to accompany the

[1] The Australian Charities and Not-for-Profits Commission (ACNC) uses a similar NFP definition to the ATO. Although a statutory definition of 'charity' came into effect on 1 January 2014 following the *Charities Act 2013*, a legal definition of an NFP organization is still lacking in Australia. Therefore, it is acknowledged that the ATO definition of an NFP is limited.

rise of civil society" (Jordan, 2005, p.5) and "one of the most important issues facing the sector" (Benjamin, 2008, p.201).[2]

In Australia, the federal and state governments have conducted several inquiries and reviews into the sector, including the 1995 review of charitable organizations by the Productivity Commission, the 2001 Charity Definition Inquiry, the 2007 review of NFP regulation by the Victorian State Services Authority, the 2008 Senate Inquiry into disclosure regimes for NFPs, and the 2010 review of the economic contribution of NFPs by the Productivity Commission. In response to the 2008 Senate Inquiry's recommendation of creating a national regulator for the sector, the Australian Charities and Not-for-profits Commission (ACNC) was recently established by government to streamline the regulatory obligations and cut the 'red tape' for NFPs with the ultimate aim of enhancing governance, accountability and transparency in the sector. Over the period from 2011 to 2015, the Australian government expects to spend $53.6 million on the establishment of the ACNC and related structural changes in taxation, which, together, represent "the most important reforms to the sector in decades" (Office for the Not-for-Profit Sector, 2012, p.3). Currently, the Australian NFP sector is experiencing what may be seen as "a crisis of accountability and transparency" (Burger & Owens, 2010), making NFP accountability a particularly important area to be studied.[3]

Lee (2004) suggests three key questions that "make up the commonly accepted core accountability framework", two of which are 'to whom' (i.e., to which stakeholders) NFPs owe accountability and 'how' they account to stakeholders. This thesis aims to provide answers to both these questions in the Australian context. The thesis is timely as the results will provide prompt feedback for the ongoing regulatory reforms in the sector, as

[2] The term 'not-for-profit organizations' (NFPs) is used interchangeably with 'non-government organizations' (NGOs) in this thesis. NGOs are private institutions independent from government and usually international in nature. In addition to NGOs, NFPs have been termed differently in the literature, including voluntary organizations, civil society, nonprofit organizations, third sector organizations and social economy (Considine, 2003).

[3] The expression of "a crisis of accountability and transparency" by Burger and Owens (2010) could be a hyperbole.

well as contribute to the literature on NFP accountability and to stakeholder management in NFPs. Additionally, the thesis examines NFPs' stakeholder culture, which facilitates a better understanding of the 'to whom' question. The research conducted in the thesis is important beyond the Australian context, given that NFP accountability to stakeholders is an internationally important issue (Cordery & Baskerville, 2011; Hyndman & McMahon, 2010; Sinclair et al., 2010).

1.2 Aims and objectives

This thesis has three aims: 1) to construct and validate a measure of Jones et al.'s (2007) stakeholder culture; (2) to identify salient stakeholders in the Australian NFP sector and test Mitchell et al.'s (1997) framework on the relation between stakeholder attributes and stakeholder salience; and (3) to identify and examine the accountability mechanisms used by Australian NFPs based on Ebrahim's (2003) framework of NFP accountability mechanisms.

The thesis will enhance understanding of NFPs' accountability to stakeholders and provide useful information to NFP practitioners and the sector's regulators, as well as researchers in the area. The thesis has three contributions. First, it will contribute to the literature on NFP accountability. Although the area has attracted the attention of academic researchers (Baur & Schmitz, 2012; Unerman & O'Dwyer, 2006), policy makers (Senate Standing Committee on Economics, 2008) and NFPs themselves (Palmer, 2013), it is still under-researched (Unerman & O'Dwyer, 2006). The thesis will also make significant and specific contributions to the existing body of literature. The thesis tests and applies in the NFP context two frameworks (specifically, Jones et al.'s (2007) framework of stakeholder culture and Mitchell et al.'s (1997) stakeholder salience framework) that were originally proposed in the for-profit context. Also, the thesis extends the application of Ebrahim's (2003) NFP accountability mechanisms framework into the Australian NFP setting.

Second, the thesis will help NFPs discharge their accountability to stakeholders more efficiently and effectively. NFPs deal with an array of stakeholders whose accountability requirements differ, as a result of which NFPs have to allocate limited organizational resources strategically to meet the needs of salient stakeholders. Failure to address the needs of salient stakeholders may lead to financial and reputational harm (Neville et al., 2011), including reduced support from stakeholders. The thesis will enhance understanding of who the important stakeholders of NFPs are, which will enable them to apply appropriate accountability mechanisms efficiently and effectively.

Third, the thesis will inform policy makers, particularly the ACNC, in their efforts to improve the sector's accountability. Increased stakeholder understanding is required because accountability, rather than being assigned generally at the sector level, has to be "more clearly identified with the different stakeholder groups" (Cordery & Baskerville, 2005, p.8). The thesis will assist the ACNC in designing reforms that help NFPs better meet the information needs of a wide range of stakeholders. Consequently, NFPs' stakeholder culture and the different needs of NFPs' multiple stakeholders should be properly understood before reporting requirements to improve the sector's accountability are mandated (Palmer, 2013). With impending mandatory disclosures in annual reports, the ACNC needs to be aware of the range of accountability mechanisms deployed by NFPs. This is particularly important for the ACNC when mandating reporting obligations of NFPs formed as incorporated associations, as they currently report to both state/territory authorities and the ACNC.

This thesis follows a PhD by publication format and consists of three related but self-contained papers. The thesis format requires the papers in the thesis to be ready for publication, but not necessarily to have been published in journals. The remainder of this chapter is organized as follows. Section 2 provides a review of the literature on NFPs and NFP accountability, and the key conceptual and theoretical frameworks/typologies of the

thesis. Section 3 outlines the three papers in the thesis. Section 4 presents the research method, preceding the final section which summarizes the structure of the other chapters of the thesis.

2. Literature review

This section reviews the literature on NFPs and NFP accountability relevant to the thesis, as well as the three theoretical frameworks/typologies used in the thesis research, specifically Mitchell et al.'s (1997) stakeholder salience framework, Jones et al.'s (2007) typology of stakeholder culture and Ebrahim's (2003) accountability mechanisms framework.

2.1 NFPs

NFPs are known as 'quasi-public' organizations, occupying "a space between public and private sector organizations" (Collier, 2008, p.934). As such, NFPs possess the dual nature of being 'quasi-public' and 'quasi-private' (Williams & Taylor, 2012). NFPs are quasi-public in that they are 'value-based' organizations (Nevile, 2009), established for a social/public purpose, and prohibited from distributing profit to organizational members (Dhanani & Connolly, 2012; Williams & Taylor, 2012). NFPs are quasi-private because "in order to survive they must operate in a manner analogous to profit making organizations by keeping strategies private, by ensuring that funding is not passed on to competitors and by maintaining financial solvency" (Williams & Taylor, 2012, p.10). Their conflicting public and private nature imposes a challenge for NFPs to serve their social purpose while striving to retain funding in a competitive environment. For for-profit organizations, serving the key objective of profit maximization guarantees the achievement of their organizational mission (Costa et al., 2011; Moore, 2000). In contrast, achievement of organizational mission is not straightforward for NFPs, which have to meet both social and financial bottom lines.

Another distinctive characteristic of NFPs is that, as opposed to their for-profit counterparts that are primarily accountable to shareholders, or their government/public counterparts that are principally accountable to citizens, NFPs deal with an array of stakeholders including government, corporate and individual donors as funding agents, clients (or beneficiaries), partners and volunteers (Costa et al., 2011; Davison, 2007; Kilby, 2006; LeRoux, 2009; Lin, 2010; Murtaza, 2012; Weerawardena et al., 2010; Woodward & Marshall, 2004). The expectations of these multiple stakeholders often conflict with or contradict each other, such that NFPs are seen to have 'murkier' accountabilities (O'Regan & Oster, 2005).

2.2 NFP accountability

NFP accountability is a "complex and abstract concept" (Edwards & Hulme, 1996, p.967) and is defined in a number of ways (Dhanani & Connolly, 2012; Dixon et al., 2006; Hyndman & McMahon, 2010; Lloyd et al., 2008). For example, Hyndman and McMahon (2010, p.459) broadly define accountability "as being responsible to someone or for some action, or as being related to the requirement to be answerable for one's conduct and responsibilities".

Researchers in the area commonly divide NFPs' multiple accountabilities into upward and downward accountability. NFPs are seen to have 'upward' accountability to their patrons (trustees, donors and host governments) (Edwards & Hulme, 1996; Najam, 1996) and 'downward' accountability to their clients, supporters and partners. Upward accountability is demanded from above (Christensen & Ebrahim, 2006). Downward accountability is 'felt accountability', which is driven by moral and ethical beliefs (Lloyd, 2005), and hence is often seen as discretionary and merely a matter of 'grace and favour' (Kilby, 2006; Mulgan, 2003).

Due to the complexity of NFPs and their multiple accountabilities, Baulderstone (2007, p.9) argues that "leaders have a degree of strategic choice in how they define stakeholders

and their accountability to them, and they have some latitude in deciding how to prioritize and implement these accountabilities". The dominant observation in prior studies is that NFPs prioritize their upward accountability at the expense of downward accountability (Baulderstone, 2007; Cordery et al., 2010; Ebrahim, 2005; O'Dwyer & Unerman, 2007). Cordery and Baskerville (2011) contend that this is because NFPs are so focused on accounting to large funding agents that they do not know how to account to other stakeholders, and do not have the resources to account to all stakeholders equally. Thus, a predominant theme in the NFP accountability literature is the need for NFPs to devote themselves more to downward accountability (Baur & Schmitz, 2012; Hammer et al., 2010; Kilby, 2006; O'Dwyer & Unerman, 2010).

2.3 Theoretical frameworks/typologies

The application of stakeholder theory in understanding NFP accountability has received much support in the literature (Barrett, 2001; Collier, 2008; Hill & Crombie, 2010; Hyndman & McMahon, 2010; LeRoux, 2009). Hyndman and McMahon (2010, p.460) argue that prior studies "have supported the usefulness of stakeholder analysis as a descriptive tool for understanding the web of stakeholder influences in the not-for-profit sector, in particular to identify definitive stakeholders and prioritize accordingly". Also, Collier (2008, p.934) acknowledges that stakeholder theory "provides a viable perspective" and "is acutely relevant" to understanding NFPs' accountabilities to multiple stakeholders. Nevertheless, the application of stakeholder theory in the NFP context has been limited and predominantly used in a descriptive manner (LeRoux, 2009). This study adopts stakeholder theory to gain insight into NFPs' stakeholder management and accountability practices.

The following sub-sections present a review of the central frameworks/typologies used in this thesis, i.e., Mitchell et al.'s (1997) stakeholder salience framework, Jones et al.'s (2007) typology of stakeholder culture and Ebrahim's (2003) accountability mechanisms

framework. These three well-established frameworks/typologies have received wide recognition in the literature. Mitchell et al.'s (1997) stakeholder salience framework and Jones et al.'s (2007) typology of stakeholder culture have been recognized to contribute significantly to the literature on stakeholder theory (Laplume et al., 2008). Ebrahim's (2003) NFP accountability mechanisms framework has also been widely discussed and applied in the literature (Murtaza, 2012; Agyemang et al., 2009; Kilby, 2006; Jordan, 2005).

2.3.1 Stakeholder salience

Benson and Davidson (2010) view Mitchell et al.'s (1997) stakeholder salience framework as 'the most complete treatment' of issues relating to prioritization of stakeholder claims. Mitchell et al. (1997) identify three stakeholder attributes that influence how an organization's management prioritizes stakeholders or their claims (i.e., demands or desires). Under the Mitchell et al. (1997) framework, an organization's stakeholders are prioritized based on managerial perceptions of (a) stakeholders' power to influence the organization, (b) the legitimacy of stakeholders' relationships with the organization, and (c) the urgency of stakeholders' claim on the organization. These three attributes determine 'stakeholder salience', which was redefined by Neville et al. (2011, p.363) as "the prioritization of stakeholder claims by managers based on their perception of the degree of power of the stakeholder and the degree of moral legitimacy and urgency of the claim".

The relation between the three stakeholder attributes and salience has received substantial empirical support in the for-profit literature (Laplume et al., 2008), including the studies of Agle et al. (1999), Boesso and Kumar (2009), Eesley and Lenox (2006), Harvey and Schaefer (2001), Gifford (2010), and Knox and Gruar (2007). It has been found in prior studies that the stakeholder attributes of power, legitimacy and urgency provide a parsimonious model for stakeholder salience, supporting Mitchell et al.'s (1997)

propositions. Cordery and Baskerville (2011) argue that the application of the Mitchell et al. (1997) framework contributes to a better identification of accountability relationships and construction of accountability in NFPs. Nevertheless, the stakeholder salience framework has not yet been tested on a large scale in the NFP context.

Despite the wide acceptance of the Mitchell et al. (1997) framework, there have been subsequent suggestions to develop the framework and improve its use as an actionable tool for stakeholder management. For example, Neville et al. (2011) address three residual weaknesses associated with the framework, including redefining the attribute of legitimacy and the concept of stakeholder salience. Additionally, studies have argued that stakeholder salience is influenced by managerial values (Agle et al., 1999), managerial intuition (Harvey & Schaefer, 2001), stakeholder culture (Jones et al., 2007), organizational commitment (Buysse & Verbeke, 2003), managerial position (Parent & Deephouse, 2007), organizational lifecycle stage (Jawahar & McLaughlin, 2001), country context (Cummings & Guthrie, 2007), and the industries in which the organizations operate (Boesso & Kumar, 2009; Fineman & Clarke, 1996). Laplume et al. (2008) recommend that the institutional/organizational context of stakeholder culture, as proposed by Jones et al. (2007), be integrated into the stakeholder attributes-salience analysis for a deeper understanding of Mitchell et al.'s (1997) framework.

2.3.2 Stakeholder culture

Jones et al.'s (2007, p.137) typology of 'stakeholder culture', defined as "the aspects of organizational culture consisting of the beliefs, values, and practices that have evolved for solving problems and otherwise managing stakeholder relationships", is the most recent development in the organizational ethics literature. Based on a review of the different schools of ethical theories (i.e., utilitarianism, fairness, rights, ethics of care, virtue ethics and integrated social contracts theory), Jones et al. (2007) conclude that the convergent element of the extant ethical frameworks is the interests of others (other-regarding). On

this basis, they identify four other-regarding stakeholder cultures in the for-profit context, namely, corporate egoist, instrumentalist, moralist and altruist. These four stakeholder cultures vary in degrees of being other-regarding, ranging from having limited morality to shareholders only (i.e., organizational self-interest or self-regarding) to being broadly moral to all stakeholders.

Jones et al.'s (2007) typology of stakeholder culture helps in understanding why organizations deal with stakeholders variably and in predicting how organizations make stakeholder-related decisions. Compared to previous theoretical typologies of organizational ethics (e.g., Victor and Cullen's (1987; 1988) ethical climate), the implications of which for stakeholder management are unclear, Jones et al. (2007) propose that stakeholder culture typology is simpler and specifically describes organization-stakeholder relationships from an ethical perspective.

An understanding of stakeholder culture helps resolve the self-regarding versus other-regarding tension by influencing how management responds to dilemmas in stakeholder decisions. Jones et al. (2007) argue that in dealing with stakeholder issues, management inevitably faces the tension between the self-regarding (self-interest) and other-regarding sentiments, and this tension is inherent in dealing with the stakeholder attributes of power and legitimacy. This tension arises because the stakeholder attributes of power and legitimacy are influenced by ethical perspectives. Consequently, Jones et al. (2007) contend that their typology of stakeholder culture significantly modifies the stakeholder attributes-salience relation proposed by Mitchell et al. (1997). They claim that an organization's stakeholder culture would shape how the stakeholder attributes of power and legitimacy are weighted in determining stakeholder salience. Central to Jones et al.'s (2007, p.151) argument about the moderating role of stakeholder culture is that "responding to power is simply rational self-regarding behaviour, whereas responding to legitimacy derives from other-regarding (moral) sentiments". Being less other-regarding,

corporate egoist and instrumentalist organizations see power as the primary attribute (i.e., the most important driver) of stakeholder salience, while the primary driver of stakeholder salience for moralist and altruist organizations is moral legitimacy.

Despite the recognition of the significance of stakeholder culture, an instrument to quantify and apply Jones et al.'s (2007) stakeholder culture typology is absent in the literature. Everett et al. (2008) examined the stakeholder culture of four NFP labour monitoring organizations using a qualitative approach. They assigned the NFPs on the 'egoist-instrumentalist-moralist' stakeholder culture continuum by examining the organizations' moral appearance (e.g., board composition), moral discourses (i.e., organizational codes) and moral actions (i.e., enforcement practices). Thus, Jones et al.'s (2007) typology remains mainly at the conceptual level and, for it to be applicable in a quantitative, generalizable study across NFPs, a stakeholder culture scale is required.

2.3.3 Accountability mechanisms

Ebrahim (2003) summarizes five accountability mechanisms that are commonly used by NFPs to demonstrate the fulfillment of upward and downward accountability, namely, reports and disclosure statements, performance assessment and evaluation, self-regulation, participation and social auditing. With the exception of social auditing, Ebrahim's (2003) four other accountability mechanisms discharge NFPs' upward and downward accountability variably. While the mechanisms of reports and disclosure statements, performance assessment and evaluation and self-regulation primarily discharge upward accountability to funding agents (or regulators), the mechanism of participation discharges accountability downwardly to clients (and the public). Ebrahim's (2003) accountability framework has not been tested on a large scale. Prior studies typically focus on only one of the mechanisms in examining NFP accountability (e.g., Dhanani & Connolly, 2012; Flack, 2007; Gurd & Palmer, 2010; Thomson, 2010; Wellens & Jegers, 2011).

Accountability and the use of accountability mechanisms is, in practice, a difficult decision for NFP management. Agyemany et al. (2009) and Kilby (2006) point out that tensions exist among the accountability mechanisms themselves. Consequently, the use of particular accountability mechanisms is seen as a 'strategic choice' by NFP management (Baulderstone, 2007; Brown & Moore, 2001). This strategic choice is possibly influenced by two stakeholder characteristics. The dominant stakeholder characteristic suggested in the literature is stakeholder power, which many scholars argue dictates how NFPs discharge their accountabilities (e.g., Kilby, 2006; LeRoux, 2009; Costa et al., 2011; Brown & Moore, 2001; O'Dwyer & Unerman, 2008). A competing and emerging paradigm that explains how NFPs account to stakeholders is stakeholder salience (e.g., Cordery & Baskerville, 2011; Assad & Goddard, 2010; also see Section 2.3.1). However, the relation between stakeholder characteristics and accountability mechanisms is yet to be tested empirically.

The three papers in this thesis address the gaps associated with the three theoretical frameworks/typologies, as discussed in the above literature review. Paper 1 redresses the absence of an instrument to measure Jones et al.'s (2007) stakeholder culture. Also filling a gap in the literature, Paper 2 answers the question of 'to whom' NFPs account and examines the applicability of Mitchell et al.'s (1997) stakeholder salience framework in the NFP context. Finally, responding to the calls for more research on accountability mechanisms and the lack of empirical testing of the relation between stakeholder characteristics and accountability mechanisms, Paper 3 investigates NFPs' use of accountability mechanisms. The three papers are related to each other via the connections between the central frameworks/typologies. In testing the Mitchell et al. (1997) stakeholder salience framework in Paper 2, Jones et al.'s (2007) typology of stakeholder culture (as examined in Paper 1) is included as a moderating variable. Also, two constructs (i.e., stakeholder power and stakeholder salience) of the Mitchell et al. (1997) stakeholder

salience framework are used in Paper 3 to assess their influence on the use of Ebrahim's (2003) NFP accountability mechanisms framework. Each of the papers is discussed in turn in the next section.

3. Overview of the papers

3.1 Paper 1: Developing and Validating a Measure of Stakeholder Culture for the Not-for-Profit Sector

This study constructs and validates a measure of Jones et al.'s (2007) typology of stakeholder culture, representing the beliefs, values and practices that an organization exhibits towards its stakeholders. Although the typology of stakeholder culture is proposed in the for-profit context, it is particularly relevant for NFPs, which face a more acute tension between self-regarding and other-regarding sentiments than their counterparts in the for-profit sector, given their dual public and private nature and their multiplicity of stakeholders. Given the absence of an instrument to measure and quantify Jones et al.'s (2007) stakeholder culture in the literature, this study takes the first steps in constructing and validating such a measure.

The study focuses on Jones et al.'s (2007) four other-regarding stakeholder cultures (i.e., corporate egoist, instrumentalist, moralist and altruist) and develops a stakeholder culture scale in the NFP context. A 33-item stakeholder culture scale was developed deductively by undertaking an extensive literature review. Procedures in the scale development followed the approaches suggested by Hinkin (1995), Hinkin et al. (1997) and Kaptein (2008). The scale was constructed primarily from Jones et al.'s (2007) theoretical typology and relevant items from Victor and Cullen's (1987; 1988) Ethical Climate Questionnaire (ECQ). Following an item review and a pre-test with academic colleagues and NFP personnel, 26 items were retained for empirical testing in exploratory factor analysis (EFA), which explores the internal structure of the scale, and confirmatory factor analysis (CFA) that assesses model fit and psychometric properties (i.e., reliability and validity).

Predictive validity is assessed by examining the relation between top management's (CEO) values and stakeholder culture.

Paper 1 makes a significant theoretical contribution to the literature by developing, for the first time, a scale to measure Jones et al.'s (2007) stakeholder culture, providing a foundation for future studies to examine the typology in the NFP, for-profit and government sectors. Also, the paper enhances understanding of the personal-organizational characteristics relation by examining the relation between top management's values and stakeholder culture.

3.2 Paper 2: Who and What Really Count? An Examination of Stakeholder Attributes and Salience in the Not-for-Profit Sector

This study answers one of the key accountability questions identified by Lee (2004) and Hyndman and McMahon (2010); that is, 'to whom' NFPs owe accountability. Hyndman and McMahon (2010) and Parent and Deephouse (2007) argue that identifying and prioritizing stakeholders is centrally important for NFPs. Stakeholder identification and prioritization is seen as a primary function of NFP management (Collier, 2008; Harrison & Freeman, 1999), because it shapes strategy formulation and helps sustain organizational performance (Buysse & Verbeke, 2003; Harrison et al., 2010; Knox & Gruar, 2007).

As noted previously, the NFP sector deals with multiple stakeholders whose expectations often conflict with or contradict each other (Fry, 1995; Woodward & Marshall, 2004). The extant literature lacks studies that investigate who the key stakeholders are in the sector and what factors affect their importance or salience status. Paper 2 addresses this gap in the literature by examining which stakeholders are perceived as salient stakeholders by NFP top management, and what factors affect how management prioritizes various stakeholder claims.

Mitchell et al.'s (1997) framework, and specifically the relation between the three stakeholder attributes of power, legitimacy and urgency, and salience, has not yet been

examined on a large scale in the NFP context (Knox & Gruar, 2007). This study applies Mitchell et al.'s (1997) landmark stakeholder salience framework in the NFP context. In doing so, the study adopts Neville et al.'s (2011) refinement of the framework by defining and measuring legitimacy from a moral perspective, i.e., moral legitimacy.

Further, the study tests the moderating effects of both top management's (CEO) values (Agle et al., 1999), and stakeholder culture (Jones et al., 2007, using the measure constructed in Paper 1) on the stakeholder attributes-salience relation. Two regression models were used respectively to test: (a) the main effects of stakeholder attributes on stakeholder salience, and (b) the moderating effects of top management's values and stakeholder culture on the relation between stakeholder attributes and stakeholder salience.

Paper 2 contributes to the literature by testing Mitchell et al.'s (1997) stakeholder salience framework in the NFP setting on a large scale, which has not been hitherto undertaken. Additionally, by incorporating the moderating roles of CEO values and stakeholder culture, the study contributes to a more comprehensive understanding of the relation between stakeholder attributes and salience.

3.3 Paper 3: Stakeholder Characteristics and Not-for-Profit Accountability Mechanisms

This study examines another key accountability question that Lee (2004) identifies as needing to be addressed; i.e., 'how' NFPs discharge their accountability to stakeholders. The study examines the mechanisms that NFPs use to account to stakeholders and explores the factors that influence the choice of mechanisms. Specifically, the study explores the association between stakeholder characteristics and NFPs' use of accountability mechanisms.

Prior literature suggests that, contrary to the rhetoric of claiming downward accountability to clients/beneficiaries, NFPs are often found to prioritize upward accountability to regulators and funding agents at the cost of downward accountability to

clients/beneficiaries[4] (Baulderstone, 2007; Dillon, 2003/4; Dixon et al., 2006; O'Dwyer & Unerman, 2007). NFP accountability to stakeholders is seen as a 'strategic choice' (Baulderstone, 2007; Boesso & Kumar, 2009; Brown & Moore, 2001), which is based either on the power that stakeholders possess or the 'salience' that management accords to stakeholders.

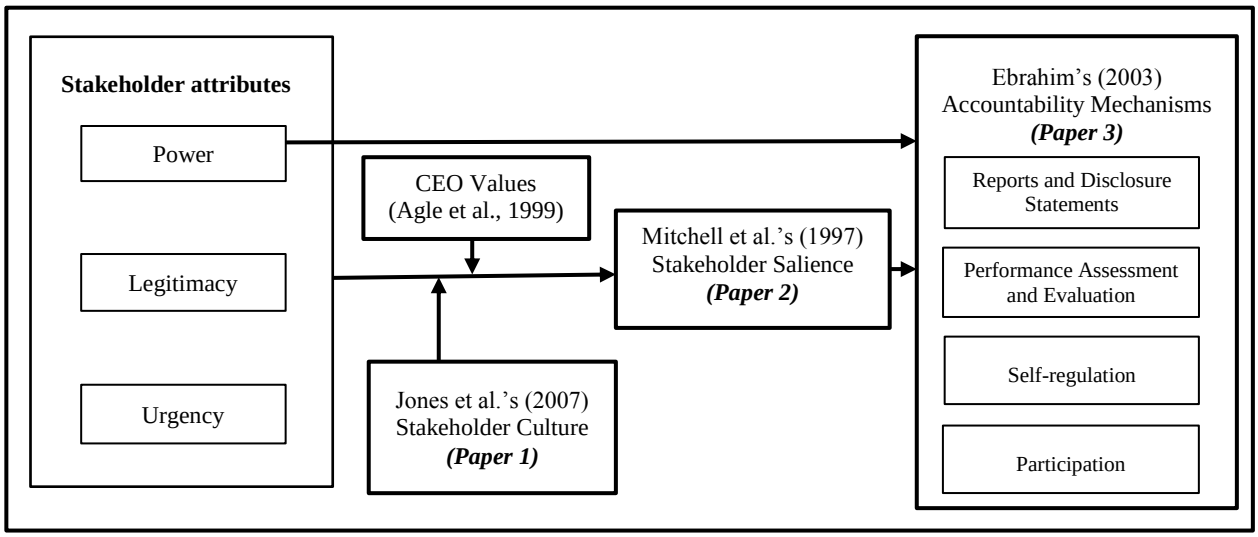
The study adopts and examines four of Ebrahim's (2003) accountability mechanisms in NFPs: reports and disclosure statements, performance assessment and evaluation, self-regulation and participation. It is hypothesized that stakeholder characteristics, either stakeholder power or salience, influence the use of the accountability mechanisms. The stakeholder characteristics of stakeholder power and salience are measured utilizing Mitchell et al.'s (1997) conceptualization and operationalization, as examined in Paper 2. Multiple regression analyses were conducted to test the competing hypotheses based on stakeholder power and stakeholder salience.

Paper 3 contributes to the NFP literature by testing Ebrahim's (2003) accountability mechanisms framework and providing explanations for the prioritization of accountability mechanisms through Mitchell et al.'s (1997) concepts of stakeholder power and salience. This is the first study that combines the well-established frameworks of Mitchell et al. (1997) and Ebrahim (2003) to investigate the relation between stakeholder characteristics and NFPs' use of accountability mechanisms.

Figure 1 provides a summary of the three papers and illustrates the links among the papers. The contribution made by the PhD candidate, in terms of percentages, was 100% for Paper 1 and 80% for Papers 2 and 3, which were co-authored with the PhD supervisors and/or colleagues.

[4] Funding agents refer to all funders and donors, that is, government, corporate funders, foundation funders and individual donors (LeRoux, 2009).

Figure 1 Overview of the three papers



4. Research method

This thesis adopts the survey method of data collection for three reasons. First, since the thesis aims to construct and validate a measure for stakeholder culture (in Paper 1), to test Mitchell et al.'s (1997) stakeholder salience framework in the NFP context (in Paper 2) and to examine NFPs' use of accountability mechanisms (in Paper 3), the survey method is the most appropriate given its ability to generalize results and describe populations. Second, the survey method assures the anonymity of responses, which is important given the sensitivity of the issues examined, e.g., questions related to an organization's stakeholder culture or perceived salience of particular stakeholders (Malloy & Agarwal, 2010). Third, the survey method is used to address the lack of quantitative studies that examine NFP accountability, since much of the existing research into NFP accountability has been primarily qualitative (e.g., Awio et al., 2011; Dixon et al., 2006; Jacobs & Walker, 2004; O'Dwyer & Unerman, 2007).

The survey questionnaire was constructed and administered following the Tailored Design Method (Dillman et al., 2008). The questionnaire was pre-tested with twelve academic colleagues and four NFP executives, resulting in some refinement to the questionnaire format and the wording of some terms.

In Australia, there is a wide range of legal forms that are applicable to NFPs, including companies limited by guarantee, incorporated associations and trusts. For two reasons, only companies limited by guarantee were chosen as the scope of the examination in this thesis. First, this NFP legal form matches the corporate context in which Jones et al.'s (2007) stakeholder culture typology and Mitchell et al.'s (1997) stakeholder identification and salience framework were proposed. Second, restricting the examination to companies limited by guarantee eliminates noise associated with other legal forms, which may potentially affect how an organization accounts to stakeholders, since the state legislation governing incorporated associations varies across Australia (CPA Australia, 2013; Productivity Commission, 2010). Despite the advantages of limiting the examination to NFPs of one legal form, the generalizability of the results of this thesis is restricted.

Targeted survey participants were the top managers of NFPs, i.e., Chief Executive Officers (CEOs) or equivalent. The top managers represent an organization, since they are primarily responsible and accountable for the governance of their organization. Also, they are placed at the center of the nexus between their organization and its stakeholders, and therefore they determine stakeholder salience and are able to provide information about the overall perspectives and practices of their organization (Agle et al., 1999; Hill & Jones, 1992; Ritchie et al., 2007).

A significant amount of effort and resources was spent on building a research database of potential survey participants. This database was compiled using a number of online databases, including the *Connecting Up Directory: Australian Nonprofit and Charity Organizations*, as well as directories of the Australian Council for International Development (ACFID), Australian Government Overseas Aid Program (AusAid), Australian Government Directory (AGD), Pathways Australia, Pro-bono Australia and RememberMe. The compiled database enabled a survey of Australian NFPs on a large scale. A research assistant was engaged to help recruit the survey participants. From a

sampling population of 874 NFPs, 621 organizations replied, representing a 71.1% response rate. The response rate was higher than that achieved in Napoli (2006), LeRoux (2009), Lin (2010) and O'Regan and Oster (2005), which had response rates of 20.4%, 60.4%, 44.9% and 40%, respectively.

Data were analyzed in Statistical Package for Social Science (SPSS) version 21 and Analysis of Moment Structures (AMOS) version 21, using various analytical techniques, including exploratory factor analysis (EFA), confirmatory factor analysis (CFA), multiple regression and moderated multiple regression.

5. Structure of the thesis

The three papers are self-contained and are presented in the second, third and fourth chapters of the thesis. References used in each paper are provided at the end of each chapter. The full reference list provided at the end of the thesis includes all the references used in the thesis, i.e., in the introductory chapter (Chapter 1), the concluding chapter (Chapter 5) and in the three papers. The survey questionnaire used for the thesis, the approval letter obtained from the Macquarie University Human Research Ethics Committee, and the information and consent letters for survey participants are provided in the Appendices.

The concluding chapter (Chapter 5) summarizes the findings of the thesis and draws the studies together to provide theoretical and practical contributions and implications of the research overall. The concluding chapter also discusses the limitations of the studies and suggestions for future research.

References

Adams, S. and Simnett, R. (2011), "Integrated reporting: An opportunity for Australia's not-for-profit sector", *Australian Accounting Review*, Vol. 21 No. 3, pp. 292-301.

Agle, B. R., Mitchell, R. K. and Sonnenfeld, J. A. (1999), "Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values", *Academy of Management Journal*, Vol. 42 No. 5, pp. 507-525.

Agyemang, G., Awumbila, M., Unerman, J. and O'Dwyer, B. (2009), "NGO accountability and aid delivery", Commissioned report, The Association of Chartered Certified Accountants, London.

Assad, M. J. and Goddard, A. R. (2010), "Stakeholder salience and accounting practices in Tanzanian NGOs", *International Journal of Public Sector Management*, Vol. 23 No. 3, pp. 276 – 299.

Australian Taxation Office (2011), "List of definitions: Tax basics for non-profit organizations", Australian Government, available at: http://www.ato.gov.au/content/34228.htm (accessed 2 March 2011).

Awio, G., Northcott, D. and Lawrence, S. (2011), "Social capital and accountability in grass-roots NGOs: The case of the Ugandan community-led HIV/AIDS initiative", *Accounting, Auditing & Accountability Journal*, Vol. 24 No. 1, pp. 63-92.

Barrett, M. (2001), "A stakeholder approach to responsiveness and accountability in non-profit organizations", *Social Policy Journal of New Zealand*, Vol. 17, pp. 36-51.

Baulderstone, J. (2007), "Accountability to service users: Rhetoric or reality?", *Third Sector Review*, Vol. 13 No. 1, pp. 9-19.

Baur, D. and Schmitz, H. (2012), "Corporations and NGOs: When accountability leads to co-optation", *Journal of Business Ethics*, Vol. 106 No. 1, pp. 9-21.

Benjamin, L. M. (2008), "Account space: How accountability requirements shape nonprofit practice", *Nonprofit and Voluntary Sector Quarterly*, Vol. 37 No. 2, pp. 201-223.

Benson, B. W. and Davidson, W. N. (2010), "The relation between stakeholder management, firm value, and CEO compensation: A test of enlightened value maximization", *Financial Management*, Vol. 39 No. 3, pp. 929-964.

Boesso, G. and Kumar, K. (2009), "Stakeholder prioritization and reporting: Evidence from Italy and the US", *Accounting Forum*, Vol. 33 No. 2, pp. 162-175.

Brown, L. D. and Moore, M. H. (2001), "Accountability, strategy, and international nongovernmental organizations", *Nonprofit and Voluntary Sector Quarterly*, Vol. 30 No. 3, pp. 569-587.

Burger, R. and Owens, T. (2010), "Promoting transparency in the NGO sector: Examining the availability and reliability of self-reported data", *World Development*, Vol. 28 No. 9, pp. 1263-1277.

Buysse, K. and Verbeke, A. (2003), "Proactive environmental strategies: A stakeholder management perspective", *Strategic Management Journal*, Vol. 24 No. 5, pp. 453-470.

Chenhall, R. H., Hall, M. and Smith, D. (2010), "Social capital and management control systems: A study of a non-government organization", *Accounting, Organizations and Society*, Vol. 35 No. 8, pp. 737-756.

Christensen, R. A. and Ebrahim, A. (2006), "How does accountability affect mission? The case of a nonprofit serving immigrants and refugees", *Nonprofit Management & Leadership*, Vol. 17 No. 2, pp. 195-209.

Collier, P. M. (2008), "Stakeholder accountability", *Accounting, Auditing & Accountability Journal*, Vol. 21 No. 7, pp. 933-954.

Considine, M. (2003), "Governance and competition: The role of non-profit organizations in the delivery of public services", *Australian Journal of Political Science*, Vol. 38 No. 1, pp. 63-77.

Cordery, C. and Baskerville, R. (2005), "Hegemony, stakeholder salience and the construction of accountability in the charity sector", Working Paper Series, School of Accounting and Commercial Law, Victoria University of Wellington, Wellington.

Cordery, C. and Baskerville, R. (2011), "Charity transgressions, trust and accountability", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 22 No. 2, pp. 197-213.

Cordery, C., Baskerville, R. and Porter, B. (2010), "Control or collaboration? Contrasting accountability relationships in the primary health sector", *Accounting, Auditing & Accountability Journal*, Vol. 23 No. 6, pp. 793-813.

Costa, E., Ramus, T. and Andreaus, M. (2011), "Accountability as a managerial tool in non-profit organizations: Evidence from Italian CSVs", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 22 No. 3, pp. 470-493.

CPA Australia (2013), "Incorporated associations: Reporting and auditing obligations", availble at: http://www.cpaaustralia.com.au/~/media/Corporate/AllFiles/Document/professional-resources/auditing-assurance/incorporated-associations.pdf (accessed 4 May 2013).

Cummings, L. S. and Guthrie, J. (2007), "Managerial attitudes toward stakeholder salience within selected western Pacific-rim economies", *Journal of Asia-Pacific Business*, Vol. 8 No. 1, pp. 7-29.

Dahan, N. M., Doh, J. and Teegen, H. (2010), "Role of nongovernmental organizations in the business - government - society interface: Special issue overview and introductory essay", *Business & Society*, Vol. 49 No. 1, pp. 20-34.

Davison, J. (2007), "Photographs and accountability: Cracking the codes of an NGO", *Accounting, Auditing & Accountability Journal*, Vol. 20 No. 1, pp. 133-158.

Dhanani, A. and Connolly, C. (2012), "Discharging not-for-profit accountability: UK charities and public discourse", *Accounting, Auditing & Accountability Journal*, Vol. 25 No. 7, pp. 1140-1169.

Dillon, E. (2003/4), "Accountabilities and power in development relationships", *Trocaire Development Review*, pp. 105-117.

Dillman, D. A., Smyth, J. D. and Christian, L. M. (2008), *Internet, Mail and Mixed-mode Surveys: The Tailored Design Method*, Hoboken, NJ: Wiley.

Dixon, R., Ritchie, J. and Siwale, J. (2006), "Microfinance: Accountability from the grassroots", *Accounting, Auditing & Accountability Journal*, Vol. 19 No. 3, pp. 405-427.

Ebrahim, A. (2003), "Accountability in practice: Mechanisms for NGOs", *World Development*, Vol. 31 No. 5, pp. 813-829.

Ebrahim, A. (2005), "Accountability myopia: Losing sight of organizational teaming", *Nonprofit and Voluntary Sector Quarterly*, Vol. 34 No. 1, pp. 56-87.

Edwards, M. and Hulme, D. (1996), "Too close for comfort? The impact of official aid on nongovernmental organizations", *World Development*, Vol. 24 No. 6, pp. 961-973.

Eesley, C. and Lenox, M. J. (2006), "Firm responses to secondary stakeholder action", *Strategic Management Journal*, Vol. 27 No. 8, pp. 765-781.

Everett, J., Neu, D. and Martinez, D. (2008), "Multi-stakeholder labour monitoring organizations: Egoists, instrumentalists, or moralists?", *Journal of Business Ethics*, Vol. 81 No. 1, pp. 117-142.

Fineman, S. and Clarke, K. (1996), "Green stakeholders: Industry interpretations and response", *Journal of Management Studies*, Vol. 33 No. 6, pp. 715-730.

Fischer, R. L., Wilsker, A. and Young, D. R. (2011), "Exploring the revenue mix of nonprofit organizations: Does it relate to publicness?", *Nonprofit and Voluntary Sector Quarterly*, Vol. 40 No. 4, pp. 662-681.

Flack, E. (2007), "The Role of Annual Reports in a System of Accountability for Public Fundrasing Charities", Unpublished PhD thesis, Queensland University of Techology, Brisbane.

Fry, R. E. (1995), "Accountability in organizational life: Problem or opportunity for nonprofits?", *Nonprofit Management and Leadership*, Vol. 6 No. 2, pp. 181-195.

Gibelman, M. and Gelman, S. (2001), "Very public scandals: Nongovernmental organizations in trouble", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 12 No. 1, pp. 49-66.

Gifford, E. (2010), "Effective shareholder engagement: The factors that contribute to shareholder salience", *Journal of Business Ethics*, Vol. 92 No.1, pp. 79-97.

Gugerty, M. (2009), "Signaling virtue: Voluntary accountability programs among nonprofit organizations", *Policy Sciences*, Vol. 42 No. 3, pp. 243-273.

Gurd, B. and Palmer, P. D. (2010), "Exploring accountability relationships in the NFP sector", *The Sixth Asia Pacific Interdisciplinary Research in Accounting (APIRA) Conference*, The University of Sydney, Sydney, Australia.

Hammer, M., Rooney, C. and Warren, S. (2010), "Addressing accountability in NGO advocacy", Briefing paper number 125, March, One World Trust, London, pp. 1-30.

Harrison, J. S., Bosse, D. A. and Phillips, R. A. (2010), "Managing for stakeholders, stakeholder utility functions, and competitive advantage", *Strategic Management Journal,* Vol. 31 No. 1, pp. 58-74.

Harrison, J. S. and Freeman, R. E. (1999), "Stakeholders, social responsibility, and performance: Empirical evidence and theoretical perspectives", *Academy of Management Journal,* Vol. 42 No. 5, pp. 479-485.

Harsh, M., Mbatia, P. and Shrum, W. (2010), "Accountability and inaction: NGOs and resource lodging in development", *Development and Change,* Vol. 41 No. 2, pp. 253-278.

Harvey, B. and Schaefer, A. (2001), "Managing relationships with environmental stakeholders: A study of U.K. water and electricity utilities", *Journal of Business Ethics,* Vol. 30 No. 3, pp. 243-260.

Hill, C. and Crombie, N. (2010), "Accountability to stakeholders in a student-managed organization", *The Sixth Asia Pacific Interdisciplinary Research in Accounting (APIRA) Conference*, The University of Sydney, Sydney, Australia.

Hill, C. W. L. and Jones, T. M. (1992), "Stakeholder-agency theory", *Journal of Management Studies,* Vol. 29 No. 2, pp. 131-154.

Hinkin, T. R. (1995), "A review of scale development practices in the study of organizations", *Journal of Management,* Vol. 21 No. 5, pp. 967-988.

Hinkin, T. R., Tracey, J. B. and Enz, C. A. (1997), "Scale construction: Developing reliable and valid measurement instruments", *Journal of Hospitality & Tourism Research,* Vol. 21 No. 1, pp. 100-120.

Hyndman, N. and McMahon, D. (2010), "The evolution of the UK charity Statement of Recommended Practice: The influence of key stakeholders", *European Management Journal,* Vol. 28 No. 6, pp. 455-466.

Jacobs, K. and Walker, S. P. (2004), "Accounting and accountability in the Iona community", *Accounting, Auditing & Accountability Journal,* Vol. 17 No. 3, pp. 361-381.

Jawahar, I. M. and McLaughlin, G. L. (2001), "Toward a descriptive stakeholder theory: An organizational life cycle approach", *Academy of Management Review,* Vol. 26 No. 3, pp. 397-414.

Jones, T. M., Felps, W. and Bigley, G. A. (2007), "Ethical theory and stakeholder-related decisions: The role of stakeholder culture", *Academy of Management Review,* Vol. 32 No. 1, pp. 137-155.

Jordan, L. (2005), *Mechanisms for NGO Accountability*, GPPi Research Paper Series No. 3, Global Public Policy Institute, Cambridge.

Kaptein, M. (2008), "Developing and testing a measure for the ethical culture of organizations: the corporate ethical virtues model", *Journal of Organizational Behaviour*, Vol. 29 No. 7, pp. 923-947.

Kilby, P. (2006), "Accountability for empowerment: Dilemmas facing non-governmental organizations", *World Development*, Vol. 34 No. 6, pp. 951-963.

Knox, S. and Gruar, C. (2007), "The application of stakeholder theory to relationship marketing strategy development in a non-profit organization", *Journal of Business Ethics*, Vol. 75 No. 2, pp. 115-135.

Laplume, A. O., Sonpar, K. and Litz, R. A. (2008), "Stakeholder theory: Reviewing a theory that moves us", *Journal of Management*, Vol. 34 No. 6, pp. 1152-1189.

Lee, J. (2004), "NGO Accountability: Rights and Responsibilities", Programme on NGOs and Civil Society, Centre for Applied Studies in International Negotiations, Geneva, Switzerland.

LeRoux, K. (2009), "Managing stakeholder demands: Balancing responsiveness to clients and funding agents in nonprofit social service organizations", *Administration & Society*, Vol. 41 No. 2, pp. 158-184.

Lin, W. (2010), "Nonprofit Revenue Diversification and Organizational Performance: An Empirical Study of New Jersey Human Services and Community Improvement Organizations", Unpublished PhD thesis, The State University of New Jersey, Newark.

Lloyd, R. (2005), *The Role of NGO Self-Regulation in Increasing Stakeholder Accountability*, One World Trust, London.

Lloyd, R., Warren, S. and Hammer, M. (2008), *2008 Global Accountability Report*, One World Trust, London.

Malloy, D. and Agarwal, J. (2010), "Ethical climate in government and nonprofit sectors: Public policy implications for service delivery", *Journal of Business Ethics*, Vol. 94 No. 1, pp. 3-21.

Mitchell, R. K., Agle, B. R. and Wood, D. J. (1997), "Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts", *Academy of Management Review*, Vol. 22 No. 4, pp. 853-886.

Moore, M. H. (2000), "Managing for value: Organizational strategy in for-profit, nonprofit, and governmental organizations", *Nonprofit and Voluntary Sector Quarterly*, Vol. 29 No. 1, pp. 183-208.

Mulgan, R. (2003), *Holding Power To Account: Accountability in Modern Democracies*, New York, NY: Palgrave MacMillan.

Murtaza, N. (2012), "Putting the last first: The case for community-focused and peer-managed NGO accountability mechanisms", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 23 No. 1, pp. 109-125.

Najam, A. (1996), "NGO accountability: A conceptual framework", *Development Policy Review*, Vol. 14 No. 4, pp. 339-354.

Napoli, J. (2006), "The impact of nonprofit brand orientation on organizational performance", *Journal of Marketing Management*, Vol. 22 No. 7/8, pp. 673-694.

Nevile, A. (2009), "Values and the legitimacy of third sector service delivery organizations: Evidence from Australia", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 20 No. 1, pp. 71-89.

Neville, B., Bell, S. and Whitwell, G. (2011), "Stakeholder salience revisited: Refining, redefining, and refueling an underdeveloped conceptual tool", *Journal of Business Ethics*, Vol. 102 No. 3, pp. 357-378.

O'Dwyer, B. and Unerman, J. (2007), "From functional to social accountability", *Accounting, Auditing & Accountability Journal*, Vol. 20 No. 3, pp. 446-471.

O'Dwyer, B. and Unerman, J. (2008), "The paradox of greater NGO accountability: A case study of Amnesty Ireland", *Accounting, Organizations and Society*, Vol. 33 No. 7/8, pp. 801-824.

O'Dwyer, B. and Unerman, J. (2010), "Enhancing the role of accountability in promoting the rights of beneficiaries of development NGOs", *Accounting & Business Research*, Vol. 40 No. 5, pp. 451-471.

O'Regan, K. and Oster, S. M. (2005), "Does the structure and composition of the board matter? The case of nonprofit organizations", *Journal of Law, Economics, and Organization*, Vol. 21 No. 1, pp. 205-227.

Office for the Not-for-Profit Sector (2012), "Strength, Innovation and Growth: The Future of Australia's Not-for-profit Sector", Department of the Prime Minister and Cabinet, Canberra.

Palmer, P. D. (2013), "Exploring attitudes to financial reporting in the Australian not-for-profit sector", *Accounting & Finance*, Vol. 53 No. 1, pp. 217-241.

Parent, M. and Deephouse, D. (2007), "A case study of stakeholder identification and prioritization by managers", *Journal of Business Ethics*, Vol. 75 No. 1, pp. 1-23.

Productivity Commission. (2010), *Contribution of the Not-for-Profit Sector*, Commissioned study, Productivity Commission, Australian Government, Canberra.

Ritchie, W. J., Kolodinsky, R. W. and Eastwood, K. (2007), "Does executive intuition matter? An empirical analysis of its relationship with nonprofit organization financial performance", *Nonprofit and Voluntary Sector Quarterly*, Vol. 36 No. 1, pp. 140-155.

Rothschild, J. and Milofsky, C. (2006), "The centrality of values, passions, and ethics in the nonprofit sector", *Nonprofit Management and Leadership*, Vol. 17 No. 2, pp. 137-143.

Senate Standing Committee on Economics. (2008), *Disclosure Regimes for Charities and Not-for-profit Organizations*, The Senate, Commonwealth of Australia, Canberra.

Sinclair, R., Hooper, K. and Ayoub, S. (2010), "Perspectives of accountability in charities", Working Paper, Department of Accounting, AUT University, Auckland.

Thomson, D. E. (2010), "Exploring the role of funders' performance reporting mandates in nonprofit performance measurement", *Nonprofit and Voluntary Sector Quarterly*, Vol. 39 No. 4, pp. 611-629.

Unerman, J. and O'Dwyer, B. (2006), "On James Bond and the importance of NGO accountability", *Accounting, Auditing & Accountability Journal*, Vol. 19 No. 3, pp. 305-318.

Victor, B. and Cullen, J. B. (1987), "A Theory and Measure of Ethical Climate in Organizations", in Frederick, W., C (Ed.), *Research in Corporate Social Performance and Policy*. Greenwich, CT: JAI Press, pp. 51-71.

Victor, B. and Cullen, J. B. (1988), "The organizational bases of ethical work climates", *Administrative Science Quarterly*, Vol. 33, No. 1, pp. 101-125.

Walden, G. I. (2006), "Who's watching us now? The nonprofit sector and the new government by surveillance", *Nonprofit and Voluntary Sector Quarterly*, Vol. 35 No. 4, pp. 715-720.

Weerawardena, J., McDonald, R. E. and Mort, G. S. (2010), "Sustainability of nonprofit organizations: An empirical investigation", *Journal of World Business*, Vol. 45 No. 4, pp. 346-356.

Wellens, L. and Jegers, M. (2011), "Beneficiaries' participation in nonprofit organizations: A theory-based approach", *Public Money & Management*, Vol. 31 No. 3, pp. 175-182.

Williams, A. and Taylor, J. (2012), "Resolving accountability ambiguity in nonprofit organizations", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 24 No. 3, pp. 559-580.

Woodward, S. and Marshall, S. (2004), "A better framework: Reforming not-for-profit regulation", Public Law Research Paper No. 70, Centre for Corporate Law and Securities Regulation, University of Melbourne, Melbourne, Victoria.

CHAPTER 2

Paper 1 – Developing and Validating a Measure of Stakeholder Culture for the Not-for-Profit Sector

Conference presentation

This paper was presented at the 8th International Society for Third-Sector Research (ISTR) Asia-Pacific Regional Conference, Seoul, Korea, 24 - 26 October 2013.

Conference acceptance

This paper was also accepted by the Asia-Pacific Management Accounting Association (APMAA) Conference 2013, Nagoya, Japan, 1 - 4 November 2013.

Abstract

This study constructs and validates a measure of Jones et al.'s (2007) typology of stakeholder culture, representing the beliefs, values and practices that an organization exhibits towards its stakeholders. The study develops a scale of Jones et al.'s (2007) four other-regarding stakeholder cultures of corporate egoist, instrumentalist, moralist and altruist in the not-for-profit (NFP) context. Mail survey data were collected from top management of 621 Australian NFP organizations. Exploratory factor analysis produced a five-factor structure with the altruist factor split into two sub-factors. Confirmatory factor analysis provided support for Jones et al.'s (2007) typology by showing a satisfactory fit of a four-factor model. The scale's reliability and validity were established. The study has significant methodological, theoretical and practical implications.

Keywords: stakeholder culture, ethics, not-for-profit, measure

1. Introduction

Organizations are viewed by stakeholder theorists as a collection of stakeholders (Jones et al., 2007). They are seen to have a 'personality' and 'an ethic of their own' that guide their behaviour towards stakeholders (O'Higgins, 2010). Jones et al.'s (2007, p.137) typology of 'stakeholder culture', defined as "the aspects of organizational culture consisting of the beliefs, values, and practices that have evolved for solving problems and otherwise managing stakeholder relationships", is the most recent development in the organizational ethics literature. Jones et al. (2007) propose four other-regarding stakeholder cultures for the for-profit context: corporate egoist, instrumentalist, moralist and altruist.[1]

Jones et al.'s (2007) typology of stakeholder culture helps understand why organizations deal with stakeholders variably and predict how organizations make stakeholder-related decisions. Compared to previous theoretical typologies of organizational ethics (e.g., Victor and Cullen's (1987; 1988) ethical climate), the implications of which for stakeholder management are unclear, Jones et al. (2007) propose that stakeholder culture typology is simpler and specifically describes organization-stakeholder relationships from an ethical perspective.

An important contribution of Jones et al.'s (2007) stakeholder culture is its potential to modify Mitchell et al.'s (1997) landmark stakeholder salience framework, under which the possession of one, two, or three of the stakeholder attributes of power, legitimacy, and urgency result in different classes of stakeholders with varying degrees of salience. Salience is defined as the degree to which managers prioritize stakeholder claims (Mitchell et al., 1997). Although Mitchell et al.'s (1997) framework has received substantial empirical support (Agle et al., 1999; Parent & Deephouse, 2007), Jones et al.

[1] Jones et al. (2007) also propose the agency (amoral) stakeholder culture, which represents managerial egoism - management is purely self-interested at an individual level. This stakeholder culture differs from the other four, which are of the organizational level. Thus, the agency stakeholder culture is excluded from examination in this study, which focuses on the organization as the unit of analysis.

(2007) contend that the extent to which the combinations of the three stakeholder attributes influence stakeholder salience depends on an organization's stakeholder culture. Jones et al. (2007, p.137) also argue that in dealing with stakeholder issues, management inevitably faces the tension between the self-regarding (self-interest) and other-regarding sentiments that is "frequently linked to and emanating from stakeholder attributes: power and legitimacy". Stakeholder culture helps resolve this tension by influencing how management responds to dilemmas in stakeholder decisions.

Jones et al.'s (2007) typology of stakeholder culture is particularly relevant to not-for-profit organizations (NFPs), since they face the tension between the self-interest and other-regarding sentiments associated with stakeholder-related decisions more acutely than their for-profit counterparts. This is because NFPs possess the dual nature of being 'quasi-public' and 'quasi-private' (Williams & Taylor, 2012) and they deal with multiple stakeholders whose expectations often conflict or contradict (Fry, 1995). NFPs are quasi-public in that they are 'value-based' organizations (Nevile, 2009), established for a social/public purpose and prohibited from distributing profit to organizational members (Dhanani & Connolly, 2012; Williams & Taylor, 2012). NFPs are quasi-private because "in order to survive they must operate in a manner analogous to profit making organizations by keeping strategies private, by ensuring that funding is not passed on to competitors and by maintaining financial solvency" (Williams & Taylor 2012, p.10).

NFPs face a challenge in balancing their public and private nature; that is, they face a challenge in serving their social purpose while under increasing pressure to retain funding in a competitive environment. Scholars have expressed their concern for mission distortion/creep, goal deflection and value displacement in NFPs, claiming that the underlying mission and service-related values held by NFPs could be replaced by the values of funding agents, such as government and institutional and individual donors (Costa et al., 2011; Dolnicar et al., 2008; Nevile, 2009). Some NFPs were found to

prioritize the demands of funding agents, who are important to the organization's survival, at the cost of clients' interest (Agyemang et al., 2009; O'Dwyer & Unerman, 2008). Moreover, there are concerns and criticisms over the changing 'businesslike' demographics of NFPs and the associated recent scandals taking place in the sector (Gibelman & Gelman, 2001; Gugerty, 2009). Consequently, NFPs have been asked to enhance their accountability to stakeholders. In Australia, the recent establishment of the sector's regulator, the Australian Charities and Not-for-profits Commission (ACNC), resulted in regulatory reforms with enhanced accountability requirements imposed upon NFPs. An appreciation and understanding of NFPs' stakeholder culture will help improve NFPs' accountability to stakeholders.

Despite the recognition of the relevance of stakeholder culture for NFPs, an instrument to quantify and apply Jones et al.'s (2007) stakeholder culture typology is absent in the literature. Jones et al.'s (2007) typology remains mainly at the conceptual level and, for it to be applicable in a quantitative, generalizable study across NFPs, a stakeholder culture scale is required. Thus, the purpose of this study is to construct and validate a stakeholder culture scale for application in the NFP sector.

A 33-item stakeholder culture scale was developed deductively by undertaking an extensive literature review and consulting academic colleagues and NFP personnel. Following a pre-test, 26 items were retained for testing. Data were collected from top management of 621 Australian NFPs. Exploratory factor analysis produced a five-factor structure, with the prescribed altruist stakeholder culture split into two sub-factors (i.e., Altruist_client and Altruist_general). Confirmatory factor analysis examined a four-factor model according to Jones et al. (2007) by combining the two sub-factors of the altruist stakeholder culture. The four-factor scale indicated good model fit, reliability and validity.

The results of the study have important methodological, theoretical and practical implications. The study makes a significant methodological contribution to the literature by developing a scale to measure Jones et al.'s (2007) stakeholder culture, providing a foundation for future studies to examine the typology in the NFP, for-profit and government sectors. In terms of its theoretical implications, the study shows that Jones et al.'s (2007) proposed moralist stakeholder culture may be interpreted differently in the NFP context, as opposed to the for-profit setting. In the for-profit setting, organizations are considered other-regarding (moralist) when they are usually considerate of all stakeholders but not so when they face financial stress or economic crisis. In contrast, compromising the pursuit of mission and the interests of legitimate stakeholders in cases of financial stress or crisis may be seen as self-interest in NFPs, which are supposed to be mission-centered at all times. Additionally, by investigating the relation between top management's values and an organization's stakeholder culture, the study adds to the literature on the link between personal and organizational characteristics (Hambrick & Mason, 1984).

In terms of its practical implications, the stakeholder culture scale can be used by NFP management to resolve ethical issues relating to stakeholders when and where a conflict arises. It will also assist NFPs in fostering a stakeholder culture that will attract and sustain support from important stakeholders. Moreover, the results indicate the predominance of the altruist stakeholder culture in NFPs, which demonstrates that, even in times of regulatory uncertainty and hostile funding competition, NFPs appear to maintain an intrinsic care for their clients. Hence, regulators may need to consider the altruistic nature of NFPs in imposing further accountability requirements on the sector.

The remainder of the paper is organized as follows. Section 2 provides the conceptual and theoretical background of the study and Section 3 outlines the research method. Section 4

presents and analyses the results. The final section presents the summary, outlines the implications and limitations of the study and suggests directions for future research.

2. Theoretical and conceptual background

2.1 Ethical climate

Since "stakeholder culture is grounded in ethics" (Jones et al., 2007, p.143), its antecedent is Victor and Cullen's (1987; 1988) typology of ethical climate, which shares overlapping components with stakeholder culture.[2] Ethical climate is defined as "the shared perceptions of what is ethically correct behaviour and how ethical issues should be handled" (Victor & Cullen 1987, p.52). The Victor and Cullen (1987; 1988) ethical climate matrix, as shown in Table 1, consists of two dimensions comprising three ethical criteria (egoism, benevolence and principle) on the vertical axis and three loci of analysis (individual, local and cosmopolitan) on the horizontal axis.

<Insert Table 1 here>

2.1.1 The ethical criterion dimension

The ethical criterion dimension forms the basis of resolving organizational conflicts (Victor & Cullen, 1988). Under the first ethical criterion of egoism, there is no room for moral principles when decisions are made. The second ethical criterion, benevolence, promotes caring for other people. "In the benevolent climate, company norms support maximizing the interests of a particular social group" (Cullen et al., 2003, p.129). Under the third ethical criterion of principles, moral reasoning is based on laws, codes and principles.

[2] Jones et al. (2007) also note that the stakeholder culture typology may be related to Trevino's (1990) ethical culture, which is defined as "a subset of organizational culture, representing a multidimensional interplay among various formal and informal systems of behaviour control that are capable of promoting ethical or unethical behaviour" (Trevino et al., 1995, p.12). Ethical culture can be viewed as different from stakeholder culture. Jones et al. (2007) only refer to Victor and Cullen's (1987; 1988) ethical climate in discussing the relevance of existing typologies to stakeholder culture. In addition, while ethical culture focuses on the conditions/stimuli that lead to ethical or unethical conduct (Kaptein, 2008a), stakeholder culture refers to the content, i.e., beliefs, values and practices.

2.1.2 The locus of analysis dimension

The locus of analysis dimension represents the levels at which ethical decisions are made. At the individual level, members of an organization make decisions at a personal level; that is, they exercise their own preferences, values and moral judgment when making a decision (Victor & Cullen, 1988). Moral reasoning made at the local level concerns the interest of the immediate context, which commonly refers to an organization. Moral reasoning beyond the organizational context is known as the cosmopolitan level, at which moral reasoning is based on consideration of the broader social groups outside the organization, constituting a societal orientation (Victor & Cullen, 1988).

As shown in Table 1, interactions of the two dimensions of ethical criterion and locus of analysis result in nine ethical climates that represent different levels of moral reasoning emanating from different sources (Victor & Cullen, 1988). For instance, people working in a 'company profit' (i.e., local egoism) ethical climate would perceive that their organization pursues its own interest at the expense of their non-shareholder stakeholders (Cullen et al., 2003). The 'social responsibility' (i.e., cosmopolitan benevolence) ethical climate promotes social caring for people outside the organization. Less than nine ethical climates (predominantly five) have been found in prior empirical studies[3] (Agarwal & Malloy, 1999; Brower & Shrader, 2000; Victor & Cullen, 1988).

2.2 Stakeholder culture

As at June 2013, there were over 200 scholarly studies that cited Jones et al.'s (2007) typology of stakeholder culture, indicating the widespread recognition of the typology (Google Scholar, 2013). Based on a review of the different schools of ethical theories (i.e., utilitarianism, fairness, rights, ethics of care, virtue ethics and integrated social contracts theory), Jones et al. (2007) conclude that the convergent element of the extant ethical frameworks is the interests of others (other-regarding). On this basis, they identify four

[3] For example, Victor and Cullen (1988) identified five ethical climates in for-profit organizations: Machiavellian, Individual Caring, Independence, Rules and Procedures, and Laws and Codes.

other-regarding stakeholder cultures in the for-profit context, namely, corporate egoist, instrumentalist, moralist and altruist. These four stakeholder cultures vary in degrees of being other-regarding, ranging from having limited morality to shareholders only (i.e., organizational self-interest) to being broadly moral to all stakeholders.

2.2.1 Corporate Egoist

Since corporate egoist organizations demonstrate moral commitment to shareholders only and have no care for non-shareholder stakeholders, they are characterized by 'self-interest without guile' (Jones et al., 2007, p.147) and focus on short-term profit or shareholder wealth maximization. "Stakeholder [i.e., non-shareholder] groups that can affect the firm's short-term profitability are dealt with in ways that work to the best advantage of the firm" (Jones et al., 2007, p.147). Corporate egoist organizations dedicate a significant amount of resources to powerful stakeholders, aggressively contract with other stakeholders (e.g., employees) and stress organizational efficiency.

2.2.2 Instrumentalist

Similar to corporate egoist organizations, instrumentalist organizations have moral regard for shareholders only. However, they are also known for 'enlightened self-interest' and 'self-interest with guile', since they are strategically moral to non-shareholder stakeholders in order to maximize shareholders' long-term financial wealth (Jones et al., 2007, p.147). Instrumentalist organizations do not usually consider the interest of non-shareholder stakeholders, but they attend to these 'unimportant' stakeholders when it is advantageous to do so (Everett et al., 2008; Jones et al., 2007). Non-shareholder stakeholders are treated by instrumentalist organizations as a means to an end, which is the organization's profitability in the long term. In other words, instrumentalist organizations have 'instrumental care' for 'instrumentally useful stakeholders' (Jones et al., 2007, p.145).

2.2.3 Moralist

Moralist organizations are generally other-regarding towards all stakeholders and see everyone as stakeholders, either normative or derivative (Jones et al., 2007). Normative stakeholders are those that have intrinsic moral claims on an organization, such as clients in the NFP context. Derivative stakeholders are powerful stakeholders that do not have moral claims on an organization (e.g., the media) (Jones et al., 2007). Intrinsic morality is embedded in moralists' decision making and practices that are, however, "tempered with pragmatism"; that is, organizations with a moralist stakeholder culture have a "morally based regard for normative stakeholders" and a "pragmatic regard for derivative stakeholders" (Jones et al., 2007, p.145). While moralist organizations generally uphold moral principles and care for all stakeholders, they may care less for non-shareholder stakeholders when they face financial crisis.

2.2.4 Altruist

Altruist organizations, being the most other-regarding of all stakeholder cultures, share the traits of moralist organizations. In contrast, for altruist organizations, adherence to moral principles is unconditional, that is, altruism is pure intrinsic morality towards stakeholders (Jones et al., 2007). Stakeholders, for an altruist organization, are those that have moral claims on the organization (i.e., normative stakeholders). Unlike moralist organizations, altruist organizations do not compromise morality even when they face financial difficulties (Jones et al., 2007; O'Higgins, 2010).

The stakeholder culture construct differs from Victor and Cullen's (1987, 1988) ethical climate construct in that it directly addresses how organizations behave towards stakeholders, leading to Jones et al.'s (2007) claim that stakeholder culture has two advantages over ethical climate. First, stakeholder culture is simpler as it allows for "multiple possible foundations" for ethical behaviour (Jones et al., 2007, p.144) but without the complex nine-cell structure of Victor and Cullen's (1987, 1988) ethical

climate matrix. Rather, Jones et al.'s (2007) typology is more consistent with the empirical studies that have generally found only five of the nine types in the ethical climate matrix. Notably, prior studies on ethical climate have typically found that for the ethical criteria of egoism and benevolence, the loci of analysis did not distinguish different ethical climates[4] (Cullen et al., 1993; Victor & Cullen, 1987; 1988). Second, stakeholder culture forms a punctuated continuum of concern for others, allowing the positioning of organizations on that continuum rather than on an ambiguous 3x3 classification (Jones et al., 2007).

Nevertheless, both typologies focus on the ethical dimension of organizational culture. Jones et al. (2007) acknowledge their overlapping components when they note that Victor and Cullen's (1987) local egoism and cosmopolitan benevolence are analogous to two of their proposed stakeholder cultures. Although Jones et al. (2007) do not explicitly indicate which two stakeholder cultures resemble Victor and Cullen's (1987) local egoism and cosmopolitan benevolence ethical climates, it can be inferred that local egoism (i.e., company profit) is analogous to Jones et al.'s (2007) corporate egoist. Victor and Cullen's (1987; 1988) local egoism refers to organizational efficiency and cost-effectiveness (Malloy & Agarwal, 2010), similar to Jones et al.'s (2007) corporate egoist stakeholder culture.

On the other hand, Victor and Cullen's (1987) cosmopolitan benevolence (i.e., social responsibility, social caring) is similar to Jones et al.'s (2007) altruist stakeholder culture. This is supported by Malloy and Agarwal's (2003, p.227) articulation that "social caring [cosmopolitan benevolence] refers to an organization where members perceive the organization to be concerned with the welfare of the commonwealth and not just its own survival". Further support is provided by Malloy and Agarwal's (2010, p.17) description of social caring that it "focuses…upon the health and welfare of society in general", which

[4] The theoretically proposed Friendship (i.e., individual benevolence) and Team interest (i.e., local benevolence) ethical climates loaded on a single empirically derived factor named 'Caring' in all the three studies (i.e., Cullen et al. 1993; Victor & Cullen 1987; 1988).

is akin to Jones et al.'s (2007) delineation of an altruist. Therefore, in developing the scale items for Jones et al.'s (2007) corporate egoist and altruist stakeholder cultures, Victor and Cullen's (1987; 1988) items relating to local egoism (i.e., company profit) and cosmopolitan benevolence (i.e., social responsibility, social caring) ethical climates were utilized.

2.3 Stakeholder culture in NFPs

In applying Victor and Cullen's (1987; 1988) Ethical Climate Questionnaire (ECQ) in NFPs, Agarwal and Malloy (1999) and Rasmussen et al. (2003) adapted the ECQ items for the NFP context. Similarly, since Jones et al.'s (2007) stakeholder culture typology was proposed in the for-profit context and refers to 'shareholders' and 'profitability', the description of each culture type needs to be modified when adapted for the NFP context. Specifically, 'self-interest' (as it relates to corporate egoist and instrumentalist) and 'other-regarding' (as for moralist and altruist) need to be re-interpreted in the NFP setting, given the fundamental differences between the two sectors. The most significant distinction is the absence of shareholders or a profit motive in NFPs. This distinction makes it important to clarify what self-interest means in the NFP context, and to determine which stakeholder groups in NFPs are the equivalents of shareholders and non-shareholders in the for-profit sector. A distinction of stakeholder groups in the NFP context is that funding agents are analogous to shareholders, and clients (or beneficiaries) are analogous to non-shareholder stakeholders, since these two groups often have conflicting interests that cause tension in stakeholder management in NFPs (Agyemang et al., 2009; Ebrahim, 2003).

Other-regarding NFPs may be described as those adhering to social values and displaying themselves as mission/client-driven (Dees, 1998; Malloy & Agarwal, 2010). Rasmussen et al. (2003, p.84) argue that the predominant ethical climate in NFPs is the benevolent ethical climate, because NFPs "are driven by a strong desire to serve their clients in the best possible manner for each individual client". This is supported by Cordery and

Baskerville (2011), who suggest that for 'mission-centered governors' in NFPs, the primary consideration is given to clients.

However, NFPs need to achieve economic goals along with their social goals. Revenue sources are equally important for NFPs as for organizations in other sectors (Williams & Taylor, 2012). Hsieh (2010, p.23) states that "for nonprofit organizations the objective analogous to profitability is survival". This provides the foundation to define self-interest in NFPs. Given the competitive funding environment, NFPs may over-emphasize organizational survival at the cost of client service, resulting in 'mission creep' or 'mission drift' (Malloy & Agarwal, 2010; Weisbrod, 2004). Mission drift can happen when NFPs undertake commercial activities that are unrelated to mission, or when they need to satisfy the administrative requirements of funding agents, who want to see a focus on efficiency, whereas serving clients' interest requires a focus on effectiveness (Collier, 2008; Jones, 2007). Emphasis on efficiency and survival (rather than effectiveness) reduces NFPs' concern for clients, and therefore pushes them away from their mission (Dolnicar et al., 2008). Brown and Moore (2001, p.573) effectively articulate the money versus mission tension:

> "it is not easy for INGOs [i.e., international NGOs] to challenge the power of those who provide the funds they need to operate. In doing so, INGOs run the risk that they will alienate important sources of support and lose their capacities to help the clients and beneficiaries they seek to aid. Yet, many INGOs run these risks because they believe that their missions require them to do so".

3. Method

This study aims to construct and validate a measure for stakeholder culture, and hence the survey method is the most appropriate given its ability to generalize results. Also, the survey method assures the anonymity of responses, which is important given the sensitivity of the issue to be examined (Malloy & Agarwal, 2010). The survey questionnaire was constructed and administered following the Tailored Design Method

(Dillman et al., 2008). The stakeholder culture scale was developed following the recommendations of Kaptein (2008a), Hinkin (1995) and Hinkin et al. (1997).

3.1 Item generation

This study predominantly adopts the deductive approach because a theoretical model of stakeholder culture exists. Items were generated using Jones et al.'s (2007) descriptions of each stakeholder culture and eight items from Victor and Cullen's (1987, 1988) ECQ. The eight ECQ items were those relating to the local egoism and cosmopolitan benevolence ethical climates, analogous to the corporate egoist and altruist stakeholder cultures of Jones et al. (2007). Specifically, the ECQ items were borrowed from Rasmussen et al. (2003), where they had already been modified for NFPs in general, rather than for a particular type of NFPs (Agarwal & Malloy, 1999). In addition, as discussed in Section 2.3, an extensive literature review was conducted to re-frame the statements in Jones et al.'s (2007) typology to fit the NFP context.

Items were formulated to ensure that 'double-barreled' items were avoided (Hinkin et al., 1997); items were simple and worded neutrally; and the scale was reasonably short to avoid respondent fatigue and response bias (Hinkin, 1995; Kaptein, 2008a). An initial set of 33 items (statements) was developed in this process. For each statement, respondents were asked to rate how true or false the items were as a description of their organization. A six-point Likert-type scale ranging from "1 Completely false" to "6 Completely true" was used, following Victor and Cullen (1987; 1988) and Kaptein (2008a).

3.2 Item review

To ensure the words used in the items were familiar to NFP management, feedback was gathered from academic colleagues who had associations with NFPs as management personnel (e.g., presidents, chairpersons, board members). These colleagues were asked to describe an NFP that is considered self-interested and one that is other-regarding. The perspectives of these colleagues were similar to the descriptions obtained from the

literature; that is, the money/efficiency versus mission/client orientation. The colleagues were also asked to rate the clarity of the items. This review process resulted in the deletion of seven items, which were considered confusing or redundant. Further, a pre-test was conducted with twelve other academic colleagues and four NFP executives to enhance the face validity of the scale. Minor refinements were made to the wording of some items. The resulting 26 items are shown in Appendix A, together with their corresponding stakeholder culture codes and literature sources. The stakeholder culture codes are CE (corporate egoist), I (instrumentalist), M (moralist) and A (altruist).

3.3 Questionnaire administration

3.3.1 Sample selection

In Australia, there is a wide range of legal forms that are applicable to NFPs, including companies limited by guarantee, incorporated associations and trusts. Only companies limited by guarantee were chosen as the scope of the examination, given that Jones et al.'s (2007) typology was proposed in the for-profit corporate context and hence for the purpose of developing the scale, this NFP legal form is the most appropriate for examination. Targeted survey participants were the top management of NFPs, i.e., Chief Executive Officers (CEOs) or equivalent, who are best able to provide information about an organization's stakeholder practices (Ritchie et al., 2007).

Potential participants were initially identified from the *Connecting Up Directory: Australian Nonprofit and Charity Organizations* that was published in January 2012. Since it was the first national NFP database in Australia and was newly released, some organizations may not have had an opportunity to be included in the directory. Therefore, other directories were also consulted in order to generate a representative and diverse sample.[5] The compiled list resulted in the identification of 2249 organizations, whose

[5] Information for other NFP companies was obtained from the online lists or directories of the Australian Council for International Development (ACFID), Australian Government Overseas Aid Program (AusAid), Australian Government Directory (AGD), Pathways Australia, Pro-bono Australia and RememberMe.

contact persons and phone numbers were individually checked by the researcher against the details provided on their websites. This procedure resulted in 708 organizations being deleted due to duplication, lack of contact details or misclassification. The final target population consisted of 1541 organizations. Table 2 shows the distribution of the 1541 organizations across industry classifications, as well as the number of organizations sampled, the number of responses and percentage response rate for each industry and in total. Nine pre-classified industries identified by the online databases/directories are used together with 'classification not known', where the industry classification is not provided by the online databases/directories.

<Insert Table 2 here>

3.3.2 Survey administration and response rate

A research assistant recruited survey participants via the telephone. The research assistant communicated the purpose and importance of the research to the CEOs of targeted organizations. With organizations where there was no CEO position or the CEO was not available, the president/chairperson or general manager (or equivalent) was contacted instead. This recruitment phrase resulted in a survey population of 874 NFP CEOs or equivalents agreeing to participate.

Once an organization's top management personnel was contacted, questionnaires were progressively mailed by the researcher to the executives during the period from February to June 2012. Each participant was posted a copy of the questionnaire, prepared as a visually attractive booklet. They were also posted a consent form (as a personalized letter), a pre-paid self-addressed return envelope and a postcard that allowed respondents to request a summary of the results of the study, and also enabled the researcher to identify the respondents separately from the returned questionnaires to allow follow-up while still ensuring anonymity. One telephone follow-up was made by the same research assistant to the organizations that had not returned questionnaires within three weeks of the first

mailout. Questionnaires with a different colour for the cover page were re-posted to these organizations in order to identify the late respondents for analysis of non-response bias. In total, 621 questionnaires were returned, representing a response rate of 71.1% (621 out of 874).

3.3.3 Biases

The survey method is subject to potential biases of non-response, common method and social desirability. Non-response is not likely to be a concern in this study given the high response rate and the relatively large sample size (Van der Stede et al., 2005). Further, as shown in Table 2, the response rates across the pre-classified industries were consistently high, ranging from 62.7% to 79.1%. A comparison of early versus late respondents (as indicated by the different colours of the front page of returned questionnaires) was performed in two stages (Roberts, 1999). First, chi-square tests of the organizational demographic characteristics (i.e., organizational size, age and self-nominated industry) showed no significant differences between the early and late respondents. Second, one-way analysis of variance (ANOVA) comparisons of the mean values of the 26 stakeholder culture items also showed no significant differences.

To test for common method bias, Harman's (1967) single-factor test was used (Chang et al., 2010; Podsakoff et al., 2003). Exploratory factor analysis (EFA) showed the total variance explained by a single factor is low (23.51%) and well below the 50% threshold that may indicate the presence of this bias (Podsakoff et al., 2003). Social desirability bias was managed through the assurance of anonymity and confidentiality of respondents (Agarwal & Malloy, 1999; Fisher, 1993). The cover letter emphasized to respondents that their participation was voluntary and they could withdraw their participation at any time. Also, the cover letter stressed that their responses would be kept strictly anonymous and confidential.

3.4 Data analysis

Factor analysis is a widely applied statistical tool to reduce data in order to gain insights into the internal structure of a construct while minimizing the loss of information (Kaptein, 2008a). Commonly, EFA (exploratory factor analysis) precedes CFA (confirmatory factor analysis) in scale development studies (Worthington & Whittaker, 2006). While EFA examines the dimensionality and factor structure of a scale, CFA assesses scale validity and the rigour of a measurement model (Chow & Chen, 2012). The sample size (N = 621) in this study is sufficiently large to allow a random split into two sub-samples (Turker, 2009). The first half of the sample, consisting of the even cases, was used for EFA (N = 310) in Statistical Package for Social Science (SPSS) version 21. The odd cases in the sample constituted the second sub-sample for CFA (N = 311) in Analysis of Moment Structures (AMOS) version 21. The EFA used principal axis factoring extraction with direct oblimin (oblique) rotation, following Malloy and Agarwal (1999). CFA was performed using the maximum likelihood estimation method to replicate the EFA results (Frazier et al., 2008).

4. Results and discussion

4.1 Descriptive statistics

Demographic information about the respondents and their organizations is provided in Table 3. Males made up 58.0% of the respondents. Most of the respondents (67.0%) were the CEOs of their organizations and their highest education achieved was a Bachelor's degree (36.1%) or a Master's degree (35.1%). A significant number of the respondents belonged to the 45-54 (35.3%) and 55-64 (32.4%) age brackets. The majority (57.2%) of the organizations had annual revenue of $1-50 million in the previous financial year. As shown in Table 3, demographic information about the respondents (i.e., gender, age, position and education) and their organizations (i.e., organizational age and size) were comparable across the two sub-samples.

<Insert Table 3 here>

Table 4 shows the descriptive statistics of the 26 scale items. The relatively high mean scores of the altruist scale items indicated a predominance of an altruist stakeholder culture in NFPs surveyed. Item A9 (Our organization has an extremely strong sense of responsibility to its beneficiaries/clients and the public) had the highest mean score (mean = 5.59).

<Insert Table 4 here>

4.2 Exploratory factor analysis (EFA)

The factorability of the data was indicated by Bartlett's test of sphericity ($p < 0.001$) and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (> 0.8), which were both satisfactory (Field, 2009). An examination of the extracted communalities revealed that items CE4, CE5, CE6, CE7, I3, M1, M3 and A1 should be deleted, given that their extracted communality scores were below 0.03 (Merrell et al., 2011). Horn's (1965) parallel analysis for the remaining 18 items indicated the existence of five significant factors. An inspection of the correlation matrix indicated a reasonable correlation among the items. Multicollinearity was not present, given that the determinant of the R-matrix (0.003) was larger than 0.0001 (Field, 2009).

With the large sample size (N = 310), items with factor loadings equal to or exceeding 0.35 were deemed significant and hence retained (Chow & Chen, 2012). As indicated in Table 5, EFA identified five factors with eigenvalues exceeding 1.0, confirming the results of Horn's (1965) parallel analysis. The 18 items resulted in a simple structure, that is, all items loaded significantly on only one factor and lowly on other factors. The absence of cross-loadings provided preliminary discriminant validity of the scale.

<Insert Table 5 here>

The emergent five factors accounted for 60.952% of the total variance, above the average variance explained (56.8%) in social science (Peterson, 2000). Overall, the emergent five-factor structure was congruent with Jones et al.'s (2007) classification of the corporate egoist, instrumentalist, moralist and altruist stakeholder cultures, and the only departure was that the altruist items were split into two factors. Four of the altruist items (A9, A7, A8 and A6) loaded on the first factor that accounted for 26.899% of the total variance. This factor was named 'Altruist_clients', since all items described an organization that is altruistic towards its clients. Item A9 (Our organization has an extremely strong sense of responsibility to its beneficiaries/clients and the public) generated the highest factor loading. The other four altruist items (A2, A4, A5 and A3) loaded on the fifth factor named 'Altruist_general', contributing 5.906% of the total variance. The highest factor loading was for item A2 (Decisions made here are always based on the interests of all affected stakeholders). This finding indicated that in measuring the altruist stakeholder culture, Jones et al.'s (2007) descriptions add to Victor and Cullen's (1987; 1988) cosmopolitan benevolence items, which specifically address an orientation toward clients.

The remaining three emerging factors each represents the other stakeholder cultures proposed by Jones et al. (2007). The second factor, explaining 12.364% of the total variance, was 'Moralist', with items M4, M5 and M2 loading significantly on the factor. These three statements manifest that an organization only changes its practices toward stakeholders when it faces economic pressure or crisis. For instance, item M4, which generated the highest loading, states that "Our organization compromises the pursuit of its mission, only when it faces economic pressure or challenges".

The third factor, 'Corporate Egoist', explained 9.220% of the total variance. This factor consisted of items CE3, CE1 and CE2, of which CE3 (Our organization's interest overrides all other considerations) had the highest loading. Since these items all derive

from Victor and Cullen (1987; 1988), the analysis indicated that Jones et al.'s (2007) corporate egoist stakeholder culture can be measured using the local egoism items alone.

The fourth factor, 'Instrumentalist', accounted for 6.563% of the total variance and comprised four items (I1, I2, I5 and I4). Compared to items I1 and I2, items I5 (Our organization sees powerful stakeholders as of primary importance and legitimate stakeholders as secondary) and I4 (Moral beliefs are only important when adherence to these beliefs benefits the organization) had slightly lower factor loadings.

To assess the stability of the results, alternative extraction methods (i.e., maximum likelihood and principal component analysis) and another oblique rotation method (i.e., promax) were used and they produced similar factor structures. The results were essentially the same when different approaches to dealing with missing data (i.e., replacing by means, listwise and pairwise deletion) were used.

4.3 Confirmatory factor analysis (CFA)

CFA was used to establish the scale's validity, reliability and model fit. One of the commonly used model fit indices is the chi-square value (χ^2), the non-significance of which indicates a satisfactory model fit. However, since the χ^2 of a model tends to be significant in large samples (N > 200), it has been criticized for not accurately assessing model fit (Casali 2011; Worthington & Whittaker, 2006). Therefore, other fit indices were used. Based on Kline's (2005) suggestion, five model fit indices were assessed, namely, chi-square/degrees of freedom (χ^2/df) < 3 (Casali, 2011), GFI > 0.80 (Chow & Chen, 2012), CFI > 0.90 (Casali, 2011; Chow & Chen, 2012), RMSEA < 0.08 (Karakas & Sarigollu, 2012), and SRMR < 0.08 (Brown et al., 2006; Voegtlin, 2011).[6] These fit indices provide complementary information about model fit, and hence, together, they enable "a more conservative and reliable evaluation of the solution" (Brown, 2003,

[6] Full index names are Goodness-of-Fit Index (GFI), Comparative Fit Index (CFI), Root Mean Square Error of Approximation (RMSEA), Standardized Root Mean Square Residual (SRMR).

p.1416). For instance, CFI and RMSEA are relative fit indices that compare different models, while χ^2/df and SRMR assess model fit against a perfect fit (Levashina & Campion, 2007).

4.3.1 Lower-order (i.e., first and second-order) analysis

A lower-order CFA was first conducted to test a four-factor model based on theory, that is, Jones et al. (2007). Altruist, being a second-order factor, comprised two first-order factors (i.e., Altruist_clients and Altruist_general) according to the EFA results. The model produced a moderate fit: χ^2 (df) = 372.020 (127), χ^2/df = 2.929, GFI = 0.828, CFI = 0.858, RMSEA = 0.079, SRMR = 0.070. To improve model fit, items I4 and I5 were deleted because of (a) their relatively low loadings in EFA, (b) enhanced convergent validity of the sub-scale resulting from the deletion, and (c) substantive reasons (Chow & Chen, 2012), i.e., items I4 and I5 convey slightly different meanings compared to items I1 and I2, which were considered to manifest the instrumentalist stakeholder culture better.

As shown in Figure 1, the resulting 16-item measurement model produced a satisfactory model fit: χ^2 (df) = 224.196 (96), χ^2/df = 2.335, GFI = 0.910, CFI = 0.914, RMSEA = 0.066, SRMR = 0.062. The 90% confidence interval for RMSEA was bounded by 0.054 and 0.077, below the threshold of 0.08 (Brown, 2003). The second-order construct of Altruist was a good representation of the first-order constructs of Altruist_clients and Altruist_general, indicated by the high loadings of the paths (i.e., above 0.7) (Chin, 1988; Chow & Chen, 2012).

<Insert Figure 1 here>

4.3.2 Higher-order (i.e., third-order) analysis

A higher-order model introduced a latent factor named Stakeholder Culture, which was linked to all four factors from the lower-order model. As indicated in Figure 2, the higher-order model indicated sound model fit: χ^2 (df) = 228.989 (98), χ^2/df = 2.337, GFI = 0.909,

CFI = 0.912, RMSEA = 0.066, SRMR = 0.066. The item loadings were similar to those generated from the lower-order analysis. To demonstrate that the higher-order model was a parsimonious representation of the lower-order model, Marsh and Hocevar's (1985) target coefficient was computed by dividing the chi-square (χ^2 = 224.196) of the lower model by that (χ^2 = 228.989) of the higher-order model (Chow & Chen, 2012). The resulting high target coefficient of 0.979 indicates the equivalence of the two models, that is, the construct of Stakeholder Culture explained the lower-order constructs parsimoniously. Hence, the CFA results confirmed Jones et al.'s (2007) classification of the four stakeholder cultures. Interestingly, while the loading of Stakeholder Culture on Altruist was negative, it was positive on Moralist (i.e., the same as Corporate Egoist and Instrumentalist). This implies that Moralist may be perceived to have a self-regarding (rather than other-regarding) component in the NFP context.

<Insert Figure 2 here>

4.4 Internal consistency

The most commonly used measure of reliability is internal consistency, which assesses how well different items hang together in each sub-scale (Fornell & Larcker, 1981). Internal consistency was tested by Cronbach's alpha (α) and composite reliability (Hair et al., 2010). Despite the commonly cited threshold of 0.7 for Cronbach's α (Nunnally, 1978), consideration needs to be given to the number of factors and items (Turker, 2009). Hence, a lower threshold of 0.6 was used for benchmarking (Bagozzi & Yi, 1988). As shown in Table 6, all four sub-scales produced reasonable Cronbach's α scores: 0.81, 0.79, 0.70 and 0.62 for Altruist, Moralist, Corporate Egoist and Instrumentalist, respectively. There was no item which, if deleted, would improve the Cronbach's α of the sub-scales. All item-to-total correlation scores exceeded 0.4 (Chow & Chen, 2012). Also, composite reliability scores of individual sub-scales all exceeded 0.6 (Kaptein, 2008b; Karakas & Sarigollu, 2012).

<Insert Table 6 here>

4.5 Scale validity

4.5.1 Content validity

Content validity, being the "minimum psychometric requirement for measurement adequacy and the first step in construct validation of a new measure", was considered in the item generation process (Hinkin, 1995, p.969). The item generation procedures indicate that the scale possesses sufficient content validity through adequate domain sampling (Hinkin, 1995).

4.5.2 Convergent validity

Levashina and Campion (2007) state that to ensure a scale measures meaningful constructs, its convergent, discriminant, and criterion-related validity need to be demonstrated. Convergent validity tests how well items in a scale measure what the scale is intended to measure (Chen & Hsu, 2001) and it was assessed using composite reliability (> 0.6) (Kaptein, 2008b; Karakas & Sarigollu, 2012), standardized factor loadings (> 0.4) (Casali, 2011), and average variance extracted (AVE) estimate (> 0.5) (Bagozzi &Yi, 1988; Fornell & Larcker, 1981). First, as discussed previously, the composite reliability scores were all above 0.6. Second, 14 of the 16 item loadings were equal to or greater than 0.60 (Chin et al., 1997) and the remaining two item loadings (0.54 for item A2 and 0.55 for item I1) were above 0.4, which were deemed acceptable (Casali, 2011). All t-values associated with the loadings were significant ($p < 0.001$) (Chen & Hsu, 2001). The AVE estimates were equal to or above 0.5 for the Altruist, Moralist and Instrumentalist sub-scales. The AVE estimate (0.44) for Corporate Egoist was slightly lower than 0.5, however, its Cronbach's α and composite reliability were satisfactory. Overall, considering all the above indices, convergent validity was established.

4.5.3 Discriminant validity

Discriminant validity was established in several ways. First, all the factor correlations were less than 0.8 (Chow & Chen, 2012), suggesting that the factors were not highly correlated. The highest correlation score was between Altruist and Moralist ($r = -0.60$, $p < 0.0001$). Second, as illustrated in Table 6, the AVE estimate of each factor exceeded the squared correlation between the factors (Karakas & Sarigollu, 2012; Malloy & Agarwal, 2010), providing additional evidence of discriminant validity. Third, Kline (2005) suggests that discriminant validity can be supported by rejecting the fit of a baseline model, where only a single factor is assumed to account for all the variances in the observed variables. A comparison of the baseline model with the four-factor model, shown in Table 7, indicated that the baseline model had a significantly lower χ^2 and poor model fit (χ^2 (df) = 649.729 (104), χ^2/df = 6.247, GFI = 0.754, CFI = 0.633, RMSEA = 0.130, SRMR = 0.103).

Alternative two-factor and three-factor models were also compared with the four-factor model. Jones et al. (2007) group the corporate egoist and instrumentalist stakeholder cultures under the broad category of 'limited morality: moral stewardship' and the moralist and altruist cultures under the 'broadly moral' category. This suggests a possible two-factor model. Alternatively, Jones et al. (2007) argue that the distinction between the instrumentalist and moralist stakeholder cultures could be blurred for a period of time, since instrumentalists and moralists are both pragmatic and their behaviour can be similar at times. Table 7 shows that the alternative two-factor and three-factor models produced inferior model fit to the four-factor model.

<Insert Table 7 here>

4.5.4 Predictive (criterion-related) validity

Predictive validity tests the ability of a scale to predict or to be predicted by other measures according to established theoretical relations (Voegtlin, 2011). To assess predictive validity, a structural model was established to test the relation between top management's values and stakeholder culture.

The extant literature suggests an intricate relation between top management's personal characteristics and organizational characteristics, such as organizational culture (Hambrick & Mason, 1984; Huffman & Hegarty, 1993; Trice & Beyer, 1993). Giberson et al. (2009, p.125) argue that "the content of an organization's culture does not form randomly" but is created and shaped by top management's personal characteristics, the most influential of which is personal values (Berson et al., 2008). The relation between top management's values and organizational culture can be explained by Schein's (2004) theory of culture and leadership as well as the Attraction-Selection-Attrition framework of Schneider (1987) and Schneider et al. (1995).

Although the relation between personal characteristics (e.g., values) and organizational characteristics (e.g., organizational culture) has been widely endorsed, its empirical examination has been hindered by the difficulties in obtaining psychometric characteristics of top management (Berson et al., 2008; Giberson et al., 2009). Therefore, only limited empirical support has been found in the for-profit context, with the relation yet to be explored in the NFP context. The relation is expected to prevail in NFPs, because NFPs are assumed to be altruistic and trustworthy partially because of the public-spirited leaders that they tend to attract (Malloy & Agarwal, 2010). Hence, it is expected that top management's other-regarding values are positively related to the other-regarding Altruist and Moralist stakeholder cultures, while negatively related to the self-regarding Corporate Egoist and Instrumentalist stakeholder cultures. Consequently, the following hypotheses were tested:

H1: Top management's other-regarding values are positively related to the Altruist stakeholder culture.

H2: Top management's other-regarding values are positively related to the Moralist stakeholder culture.

H3: Top management's other-regarding values are negatively related to the Corporate Egoist stakeholder culture.

H4: Top management's other-regarding values are negatively related to the Instrumentalist stakeholder culture.

Top management's values were measured based on Agle et al. (1999), who adopted seven items relating to the self-regarding and other-regarding value dimension of Rokeach's (1972) value instrument.[7] Results from both EFA and CFA showed two factors, which were named self-regarding values and other–regarding values. To compute a continuous variable for top management's other-regarding values, the scores of self-regarding value items were reversed prior to summing the seven items (Agle et al., 1999).

The results, reported in Table 8, support H1, H3 and H4. As expected, top management's other-regarding values were positively and significantly related to the Altruist stakeholder culture ($p < 0.001$). Top management's values alone explained 38% of the variance in the Altruist stakeholder culture. In contrast, and as hypothesized, top management's other-regarding values were negatively and significantly related to the Corporate Egoist and Instrumentalist stakeholder cultures ($p < 0.001$ and $p < 0.05$). Contrary to H2, top management's other-regarding values were negatively related to the Moralist stakeholder culture ($p < 0.001$). This observation reinforced the previous findings that the Moralist stakeholder culture was negatively and significantly correlated with the Altruist stakeholder culture, but positively correlated with the Corporate Egoist and Instrumentalist stakeholder cultures, and also the finding that the second-order construct of Stakeholder Culture loaded negatively on the Altruist stakeholder culture only.

[7] The seven items are "(1) a comfortable life (a prosperous life), (2) helpful (working for the welfare of others), (3) compassion (feeling empathy for others), (4) wealth (making money for myself and family), (5) equality (brotherhood, equal opportunity for all), (6) loving (being affectionate, tender) and (7) pleasure (an enjoyable life)". Items 2, 3, 5 and 6 represent other-regarding values and items 1, 4 and 7 represent self-regarding values. Respondents were asked to rate the importance of the seven values on a seven-point Likert-type scale that ranged from "1 Least important" to "7 Most important".

<Insert Table 8 here>

5. Summary, implications and limitations

5.1 Summary

Jones et al.'s (2007) typology of stakeholder culture represents the most recent development in the organizational ethics literature and has received widespread recognition. Jones et al.'s (2007) typology provides a simpler and more direct approach to describe and understand the beliefs, values and practices that organizations have for resolving stakeholder-related issues. The typology is particularly relevant for NFPs, which "feature important differences when compared with other organizational actors in global governance" (Piewitt et al., 2010, p.239). NFPs face a more acute tension between self-regarding and other-regarding sentiments than their counterparts in the for-profit sector, primarily because they encounter the conflict between their "public service motives" and "market-like survival impulses" (LeRoux, 2009, p.159).

Nevertheless, the literature lacks a measure that quantifies stakeholder culture. This study takes the first steps in developing and validating such a measure through the creation of a multi-item scale of stakeholder culture primarily based on both Jones et al.'s (2007) theoretical typology and relevant items from Victor and Cullen's (1987; 1988) Ethical Climate Questionnaire (ECQ). Both exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) were conducted to examine the scale's internal structure and psychometric properties.

The study demonstrates that, in the NFPs examined, top management identified five statistically significant stakeholder cultures: Altruist_clients, Moralist, Corporate Egoist, Instrumentalist and Altruist_general. Altruist_clients was the most strongly perceived stakeholder culture, as it accounted for the greatest amount of the total variance. A four-factor model, with Altruist_client and Altruist_general combined for a second-order factor (i.e., Altruist), produced a sound model fit and is conceptually meaningful. The results are

consistent with the four categories of stakeholder culture proposed by Jones et al. (2007), that is, corporate egoist, instrumentalist, moralist and altruist. Evidence was found of (internal consistency) reliability and validity. This study makes important contributions to the literature and practice, having methodological, theoretical and practical implications.

5.2 Implications

5.2.1 Methodological and theoretical implications

The findings of the study show that the 16-item scale formed a parsimonious representation of Jones et al.'s (2007) four other-regarding stakeholder cultures, which are distinct but related to each other. The stakeholder culture scale will, therefore, serve as a useful tool for future research that studies stakeholder culture in the NFP, for-profit and government sectors.

An interesting aspect of the results is that the moralist stakeholder culture was found to correlate negatively with the altruist stakeholder culture, but positively with the corporate egoist and instrumentalist cultures. This finding suggests that the moralist stakeholder culture may have a different meaning in the NFP context. In the for-profit setting, organizations are considered other-regarding (moralist) when they are usually considerate of all stakeholders but not so when they face financial stress or economic crisis. In contrast, compromising the pursuit of mission and the interests of legitimate stakeholders, such as clients, in cases of financial stress or crisis may be seen as self-interest in NFPs, which are supposed to be mission-centered at all times. This finding and potential explanation are supported by Everett et al. (2008), who, in their qualitative study of labour monitoring NFPs, found it difficult to distinguish the moralist from the instrumentalist stakeholder culture. A related methodological and theoretical implication of the findings is that the scale may be context-specific and require refinement and testing both generically and in specific contexts.

Additionally, the study finds a significant relation between top management's values and stakeholder culture in the NFP context. Although this relation was explored with the purpose of testing the predictive validity of the scale, it provides further empirical support to the widely endorsed theoretical model that proposes a relation between personal and organizational characteristics (Hambrick & Mason 1984; Trice & Beyer, 1993).

5.2.2 Practical implications

Despite the tension between self-interest and other-regarding sentiments that confronts NFPs and their management, and despite the accusation of mission creep or value displacement in NFPs, this study supports Nevile's (2009) findings in showing that NFPs uphold their substantive values toward mission and clients by portraying an altruist stakeholder culture. One of the challenges facing NFPs, however, is the need to juggle economic and social (service provision) goals, with the economic goals being a means to the social ends (O'Higgins, 2010). Dart (2004), LeRoux (2009) and O'Higgins (2010) suggest that the need to sustain an NFP's economic resources does not necessarily conflict with the need to achieve its mission. NFPs need to work out ways to manage funding agents' requirements while accomplishing their goals.

Stakeholders highly value the ethics of an organization and this is especially the case for NFPs whose underlying ethical values are used as reference points by policymakers in formulating the sector's policies (Nevile, 2009). In recent decades, government has extensively contracted with NFPs for social services on the premise that NFPs are perceived to share similar values and ethical orientations with government, making them a better partner than for-profit organizations (Malloy & Agarwal, 2010). In order to sustain trust from funding agents (e.g., government contractors), it is important that NFPs adhere to an altruist stakeholder culture. Doing so could not only minimize funders' monitoring costs, but could also help reduce the unnecessary bureaucratic reporting burdens imposed on NFPs (Laratta, 2011; Malloy & Agarwal, 2010). As Laratta (2011, p.44) claims, "a

major complaint in the literature on the non-profit sector is that non-profit organizations' (NPO) mission-based activities are in constant jeopardy because of the pressure put on them by statutory accountability demands". This also implies that the Australian Charities and Not-for-profits Commission (ACNC) should take into account NFPs' underlying ethical values (e.g., their stakeholder culture) in considering the sector's reforms. The new reporting and accountability requirements to be introduced should not undermine NFPs' ability to achieve their missions.

Another practical implication of the study arises from the finding that the values of NFPs' top management are significantly related to NFPs' stakeholder culture. Hence, one of the ways in which an NFP can build or maintain an altruist stakeholder culture is for NFPs to employ other-regarding leaders, who are ultimately responsible for shaping the stakeholder culture of the organization (Giberson et al., 2009).

5.3 Limitations and suggestions for future studies

There are at least four limitations of the study that provide opportunities for future research. Firstly, as Hinkin (1995, p. 968) notes, "developing sound scales is a difficult and time-consuming process", which requires a number of tests in various samples before validity and reliability can be fully established. For instance, Victor and Cullen (1988) and Cullen et al. (1993) revised Victor and Cullen's (1987) Ethical Climate Questionnaire (ECQ) and extended the scale from 25 items (in 1987) to 36 items (in 1993). Similarly, an adequate measure for Trevino's (1990) ethical culture was not established until 18 years later by Kaptein (2008a). Hence, the first step in future research will be to enrich and refine the stakeholder culture scale.

Secondly, although the current study used a relatively large and diverse sample to test the stakeholder culture measure, the examination was restricted to NFPs that are formed as companies limited by guarantee. Future studies should cross-validate the findings by applying the scale in a broader NFP context to enhance its generalizability (Hinkin, 1995).

In addition, the scale can be modified and tested in the for-profit or public sector to allow cross-sector comparisons, given the finding that interpretations of the moralist stakeholder culture may differ across sectors.

Thirdly, nomological validity, being another form of construct validity, was not tested in this study. Nomological validity tests the correlation of a new measure with other closely related measures or unrelated measures. Future studies can examine this aspect of validity by assessing the relation between the stakeholder culture measure and, for example, Kaptein's (2008b) measure of ethical programs or Kaptein's (2008a) measure of ethical culture.

Fourthly, the current study only solicits top management's perspectives of their organizations' stakeholder culture. Although these respondents were chosen specifically because they represent their organization (Agle et al., 1999), there is the possibility that the perspective of these respondents is limited and the information gathered is incomplete. This is an inherent issue with empirical studies that use subjective measures (Turker, 2009). Future studies can survey different levels of management or employees to examine within-organization agreement (Giberson et al., 2009).

Future studies can strengthen the scale's predictive validity by examining the antecedents or consequences of different stakeholder cultures. For instance, stakeholder culture may affect the frequency of unethical behaviour in an organization, given the support in the literature for the influence of either ethical climate or ethical culture on unethical behaviour (Kaptein, 2011). Stakeholder culture may provide a better explanation of variations in unethical behaviour, since unethical behaviour towards stakeholders varies across different types of stakeholders (Kaptein, 2008b). In this context, ethical and unethical behaviour is conceptually more aligned with the construct of stakeholder culture.

References

Agarwal, J. and Malloy, D. (1999), "Ethical work climate dimensions in a not-for-profit organization: An empirical study", *Journal of Business Ethics,* Vol. 20 No. 1, pp. 1-14.

Agle, B. R., Mitchell, R. K. and Sonnenfeld, J. A. (1999), "Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance and CEO values", *Academy of Management Journal*, Vol. 42 No. 5, pp. 507-525.

Agyemang, G., Awumbila, M., Unerman, J. and O'Dwyer, B. (2009), "NGO accountability and aid delivery", Commissioned report, The Association of Chartered Certified Accountants, London.

Bagozzi, R. and Yi, Y. (1988), "On the evaluation of structural equation models", *Journal of the Academy of Marketing Science,* Vol. 16 No. 1, pp. 74-94.

Berson, Y., Oreg, S. and Dvir, T. (2008), "CEO values, organizational culture and firm outcomes", *Journal of Organizational Behaviour,* Vol. 29 No. 5, pp. 615-633.

Brower, H. H. and Shrader, C. B. (2000), "Moral reasoning and ethical climate: Not-for-profit vs. for-profit boards of directors", *Journal of Business Ethics,* Vol. 26 No. 2, pp. 147-167.

Brown, D. J., Cober, R. T., Kane, K., Levy, P. E. and Shalhoop, J. (2006), "Proactive personality and the successful job search: A field investigation with college graduates", *Journal of Applied Psychology,* Vol. 91 No. 3, pp. 717–726.

Brown, L. D. and Moore, M. H. (2001), "Accountability, strategy and international nongovernmental organizations", *Nonprofit and Voluntary Sector Quarterly*, Vol. 30 No. 3, pp. 569-587.

Brown, T. A. (2003), "Confirmatory factor analysis of the Penn State Worry Questionnaire: Multiple factors or method effects?", *Behaviour Research and Therapy,* Vol. 41, pp. 1411–1426.

Casali, G. (2011), "Developing a multidimensional scale for ethical decision making", *Journal of Business Ethics,* Vol. 104 No. 4, pp. 485-497.

Chang, S.-J., van Witteloostuijn, A. and Eden, L. (2010), "From the editors: Common method variance in international business research", *Journal of International Business Studies,* Vol. 41, pp. 178–184.

Chen, J. S. and Hsu, C. H. C. (2001), "Developing and validating a riverboat gaming impact scale", *Annals of Tourism Research,* Vol. 28 No. 2, pp. 459-476.

Chin, W. (1988), "Issues and opinion on structural equation modelling", *MIS Quarterly,* Vol. 22 No. 1, pp. 7-16.

Chin, W. W., Gopal, A. and Salisbury, W. D. (1997), "Advancing the theory of adaptive structuration: The development of a scale to measure faithfulness of appropriation", *Information Systems Research,* Vol. 8 No. 4, pp. 342-367.

Chow, W. and Chen, Y. (2012), "Corporate sustainable development: Testing a new scale based on the mainland Chinese context", *Journal of Business Ethics,* Vol. 105 No. 4, pp. 519-533.

Collier, P. M. (2008), "Stakeholder accountability", *Accounting, Auditing & Accountability Journal,* Vol. 21 No. 7, pp. 933-954.

Cordery, C. and Baskerville, R. (2011), "Charity transgressions, trust and accountability", *Voluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 22 No. 2, pp.197-213.

Costa, E., Ramus, T. and Andreaus, M. (2011), "Accountability as a managerial tool in non-profit organizations: Evidence from Italian CSVs", *Voluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 22 No. 3, pp. 470-493.

Cullen, J. B., Parboteeah, K. P. and Victor, B. (2003), "The effects of ethical climates on organizational commitment: A two-study analysis", *Journal of Business Ethics,* Vol. 46 No. 2, pp. 127-141.

Cullen, J. B., Victor, B. and Bronson, J. W. (1993), "The ethical climate questionnaire: An assessment of its development and validity", *Psychological Reports,* Vol. 73, pp. 667-674.

Dart, R. (2004), "Being 'business-like' in a nonprofit organization: A grounded and inductive typology", *Nonprofit and Voluntary Sector Quarterly,* Vol. 33 No. 2, pp. 290-310.

Dees, G. (1998), "Enterprising nonprofits", *Harvard Business Review, January/February,* pp. 55-67.

Dhanani, A. and Connolly, C. (2012), "Discharging not-for-profit accountability: UK charities and public discourse", *Accounting, Auditing & accountability Journal,* Vol. 25 No. 7, pp. 1140-1169.

Dillman, D. A., Smyth, J. D. and Christian, L. M. (2008), *Internet, Mail and Mixed-mode Surveys: The Tailored Design Method,* Hoboken, NJ: Wiley.

Dolnicar, S., Irvine, H. and Lazarevski, K. (2008), "Mission or money? Competitive challenges facing public sector nonprofit organizations in an institutionalised environment", *International Journal of Nonprofit and Voluntary Sector Marketing,* Vol. 13 No. 2, pp. 107-117.

Ebrahim, A. (2003), "Accountability in practice: Mechanisms for NGOs", *World Development,* Vol. 31 No. 5, pp. 813-829.

Everett, J., Neu, D. and Martinez, D. (2008), "Multi-stakeholder labour monitoring organizations: Egoists, instrumentalists, or moralists?" *Journal of Business Ethics,* Vol. 81 No. 1, pp. 117-142.

Field, A. (2009), *Discovering Statistics Using SPSS,* London: Sage.

Fisher, R. J. (1993), "Social desirability bias and the validity of indirect questioning", *Journal of Consumer Research,* Vol. 20 No. 2, pp. 303-315.

Fornell, C. and Larcker, D. F. (1981), "Evaluating structural equation models with unobservable variables and measurement error", *Journal of Marketing Research,* Vol. 18 No. 1, pp. 39-50.

Frazier, T., Youngstrom, E., Kubu, C., Sinclair, L. and Rezai, A. (2008), "Exploratory and confirmatory factor analysis of the autism diagnostic interview-revised", *Journal of Autism and Developmental Disorders,* Vol. 38 No. 3, pp. 474-480.

Fry, R. E. (1995), "Accountability in organizational life: Problem or opportunity for nonprofits?" *Nonprofit Management and Leadership,* Vol. 6 No. 2, pp. 181-195.

Gibelman, M. and Gelman, S. (2001), "Very public scandals: Nongovernmental organizations in trouble", *Voluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 12 No. 1, pp. 49-66.

Giberson, T., Resick, C., Dickson, M., Mitchelson, J., Randall, K. and Clark, M. (2009), "Leadership and organizational culture: Linking CEO characteristics to cultural values", *Journal of Business and Psychology,* Vol. 24 No. 2, pp. 123-137.

Google Scholar (2013), available at http://scholar.google.com.au/scholar?q=jones+2007+stakeholder+cultureandbtnG=andhl=enandas_sdt=0%2C5 (accessed 23 June 2013).

Gugerty, M. (2009), "Signaling virtue: Voluntary accountability programs among nonprofit organizations", *Policy Sciences,* Vol. 42 No. 3, pp. 243-273.

Hair, J. F., Black, W. C., Babin, B. J. and Anderson, R. E. (2010), *Multivariate Data Analysis,* Englewood Cliffs, NJ: Prentice Hall.

Hambrick, D. C. and Mason, P. A. (1984), "Upper echelons: The organization as a reflection of its top managers", *Academy of Management Review,* Vol. 9 No. 2, pp. 193-206.

Harman, H. H. (1967), *Modern Factor Analysis,* Chicago, IL: University of Chicago Press.

Hinkin, T. R. (1995), "A review of scale development practices in the study of organizations", *Journal of Management,* Vol. 21 No. 5, pp. 967-988.

Hinkin, T. R., Tracey, J. B. and Enz, C. A. (1997), "Scale construction: Developing reliable and valid measurement instruments", *Journal of Hospitality and Tourism Research,* Vol. 21 No. 1, pp. 100-120.

Horn, J. L. (1965), "A rationale and test for the number of factors in factor analysis", *Psychometrika,* Vol. 30, pp. 179-185.

Hsieh, J. (2010), "Strategic stakeholder orientations and performance consequences - A case of private nonprofit performing arts in the US", *International Journal of Nonprofit and Voluntary Sector Marketing,* Vol. 15 No. 1, pp. 13-27.

Huffman, R. C. and Hegarty, W. H. (1993), "Top management influence on innovations: Effects of executive characteristics and social culture", *Journal of Management,* Vol. 19 No. 3, pp. 549-574.

Jones, M. B. (2007), "The multiple sources of mission drift", *Nonprofit and Voluntary Sector Quarterly*, Vol. 36 No. 2, pp. 299-307.

Jones, T. M., Felps, W. and Bigley, G. A. (2007), "Ethical theory and stakeholder-related decisions: The role of stakeholder culture", *Academy of Management Review*, Vol. 32 No. 1, pp. 137-155.

Kaptein, M. (2008a), "Developing and testing a measure for the ethical culture of organizations: The corporate ethical virtues model", *Journal of Organizational Behaviour*, Vol. 29 No. 7, pp. 923-947.

Kaptein, M. (2008b), "Developing a measure of unethical behaviour in the workplace: A stakeholder perspective", *Journal of Management*, Vol. 34 No. 5, pp. 978-1008.

Kaptein, M. (2011), "Understanding unethical behaviour by unraveling ethical culture", *Human Relations*, Vol. 64 No. 6, pp. 843-869.

Karakas, F. and Sarigollu, E. (2012), "Benevolent leadership: Conceptualization and construct development", *Journal of Business Ethics*, Vol. 108 No. 4, pp. 537-553.

Kline, R. B. (2005), *Principles and Practice of Structural Equation Modeling*, New York, NY: Guilford.

Laratta, R. (2011), "Ethical climate and accountability in nonprofit organizations", *Public Management Review*, Vol. 13 No. 1, pp. 43-63.

Levashina, J. and Campion, M. A. (2007), "Measuring faking in the employment interview: Development and validation of an interview faking behaviour scale", *Journal of Applied Psychology*, Vol. 92 No. 6, pp. 1638-1656.

LeRoux, K. (2009), "Managing stakeholder demands: Balancing responsiveness to clients and funding agents in nonprofit social service organizations", *Administration & Society*, Vol. 41 No. 2, pp. 158-184.

Malloy, D. C. and Agarwal, J. (2003), "Factors influencing ethical climate in a nonprofit organization: An empirical investigation", *International Journal of Nonprofit and Voluntary Sector Marketing*, Vol. 8 No. 3, pp. 224-250.

Malloy, D. and Agarwal, J. (2010), "Ethical climate in government and nonprofit sectors: Public policy implications for service delivery", *Journal of Business Ethics*, Vol. 94 No. 1, pp. 3-21.

Marsh, H. W. and Hocevar, D. (1985), "The application of confirmatory factor analysis to the study of self-concept: First and higher-order factor models and their invariance across groups", *Psychological Bulletin*, Vol. 97 No.3, pp. 562-582.

Merrell, K., Felver-Gant, J. and Tom, K. (2011), "Development and validation of a parent report measure for assessing social-emotional competencies of children and adolescents", *Journal of Child and Family Studies*, Vol. 20 No. 4, pp. 529-540.

Mitchell, R. K., Agle, B. R. and Wood, D. J. (1997), "Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts", *Academy of Management Review*, Vol. 22 No. 4, pp. 853-886.

Nevile, A. (2009), "Values and the legitimacy of third sector service delivery organizations: Evidence from Australia", *Voluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 20 No. 1, pp. 71-89.

Nunnally, J. (1978), *Psychometric Theory (2nd ed.),* New York, NY: McGraw-Hill.

O'Dwyer, B. and Unerman, J. (2008), "The paradox of greater NGO accountability: A case study of Amnesty Ireland", *Accounting, Organizations and Society,* Vol. 33 No. 7/8, pp. 801-824.

O'Higgins, E. (2010), "Corporations, civil society and stakeholders: An organizational conceptualization", *Journal of Business Ethics,* Vol. 94 No. 2, pp. 157-176.

Parent, M. and Deephouse, D. (2007), "A case study of stakeholder identification and prioritization by managers", *Journal of Business Ethics,* Vol. 75 No. 1, pp. 1-23.

Peterson, R. (2000), "A meta-analysis of variance accounted for and factor loadings in exploratory factor analysis", *Marketing Letters,* Vol. 11 No. 3, pp. 261-275.

Piewitt, M., Rodekamp, M. and Steffek, J. (2010), "Civil society in world politics: How accountable are transnational CSOs?", *Journal of Civil Society,* Vol. 6 No. 3, pp. 237-258.

Podsakoff, P. M., MacKenzie, S. B., Lee, J.-Y. and Podsakoff, N. P. (2003), "Common method biases in behavioural research: A critical review of the literature and recommended remedies", *Journal of Applied Psychology,* Vol. 88 No. 5, pp. 879-903.

Rasmussen, K., Malloy, D. and Agarwal, J. (2003), "The ethical climate of government and non-profit organizations", *Public Management Review,* Vol. 5 No. 1, pp. 83-97.

Ritchie, W. J., Kolodinsky, R. W. and Eastwood, K. (2007), "Does executive intuition matter? An empirical analysis of its relationship with nonprofit organization financial performance", *Nonprofit and Voluntary Sector Quarterly,* Vol. 36 No. 1, pp. 140-155.

Roberts, E. S. (1999), "In defence of the survey method: An illustration from a study of user information satisfaction", *Accounting & Finance,* Vol. 39 No. 1, pp. 53-79.

Rokeach, M. (1972), *Beliefs, Attitudes and Values: A Theory of Organization and Change,* San Francisco, CA: Jossey-Bass.

Schein, E. (2004), *Organizational Culture and Leadership,* San Francisco, CA: Jossey-Bass.

Schneider, B. (1987), "The people make the place", *Personnel Psychology,* Vol. 4 No. 3, pp. 437-453.

Schneider, B., Goldstiein, H.W. and Smith, D. B. (1995), "The ASA Framework: An update", *Personal Psychology,* Vol. 48 No.4, pp. 747-773.

Trevino, L. K. (1990), “A cultural perspective on changing and developing organizational ethics”, *Research in Organizational Change and Development,* Vol. 4, pp. 195-230.

Trevino, L. K., Butterfield, K. D., & McCabe, D. L. (1995), “Contextual influences on ethics-related outcomes in organizations: Rethinking ethical climate and ethical culture”, *The Annual Academy of Management Meeting*, Vancouver, BC.

Trice, H. M. and Beyer, J. M. (1993), *The Cultures of Work Organizations*, Englewood Cliffs, NJ: Prentice Hall.

Turker, D. (2009), “Measuring corporate social responsibility: A scale development study”, *Journal of Business Ethics,* Vol. 85 No. 4, pp. 411-427.

Van der Stede, W. A., Young, S. M. and Chen, C. X. (2005), “Assessing the quality of evidence in empirical management accounting research: The case of survey studies”, *Accounting, Organizations and Society,* Vol. 30 No. 7–8, pp. 655-684.

Victor, B. and Cullen, J. B. (1987), "A Theory and Measure of Ethical Climate in Organizations", in Frederick, W. C (Ed.), *Research in Corporate Social Performance and Policy*. Greenwich, CT: JAI Press, pp. 51-71.

Victor, B. and Cullen, J. B. (1988), “The organizational bases of ethical work climates”, *Administrative Science Quarterly*, Vol. 33 No.1, pp. 101-125.

Voegtlin, C. (2011), “Development of a scale measuring discursive responsible leadership”, *Journal of Business Ethics,* Vol. 98 No. 1, pp. 57-73.

Weisbrod, B. A. (2004), “The pitfalls of profits”, *Stanford Social Innovation Review,* Vol. 2 No. 3, pp. 40-47.

Williams, A. and Taylor, J. (2012), “Resolving accountability ambiguity in nonprofit organizations”, *Voluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 24 No. 3, pp. 559-580.

Worthington, R. L. and Whittaker, T. A. (2006), “Scale development research: A content analysis and recommendations for best practices”, *The Counseling Psychologist,* Vol. 34 No. 6, pp. 806-838.

Appendix A Stakeholder culture scale items

Stakeholder culture	Code	Scale items	Literature source
Corporate Egoist	CE1	Our organization tends to do anything to further its own interest, regardless of the consequences for its stakeholders.	Victor & Cullen (1988)
	CE2	Work is considered below standard only when it harms the organization's interest.	Victor & Cullen (1988)
	CE3	Our organization's interest overrides all other considerations.	Victor & Cullen (1988)
	CE4	Decisions are primarily viewed in terms of contributions to the organization's short-term financial situation.	Victor & Cullen (1988)
	CE5	Our organization seeks to minimize expenditures on salaries and wages.	Jones et al. (2007)
	CE6	Our organization dedicates specific resources to engage with powerful stakeholders.	Jones et al. (2007)
	CE7	Our organization has no concern for stakeholders that are not powerful.	Jones et al. (2007)
Instrumentalist	I1	Satisfying the interests of some stakeholders is seen by our organization as a means to the end of achieving the organization's goals.	Jones et al. (2007)
	I2	Our organization sometimes satisfies the interests of stakeholders who are not normally important if doing so serves the organization's ultimate interest.	Jones et al. (2007)
	I3	Decisions here are primarily viewed in terms of contributions to the organization's long-term financial situation.	Jones et al. (2007)
	I4	Moral beliefs are only important when adherence to these beliefs benefits the organization.	Jones et al. (2007)
	I5	Our organization sees powerful stakeholders as of primary importance and legitimate stakeholders as secondary.	Jones et al. (2007)
Moralist	M1	While our organization sees all stakeholders as important, in reality it gives more attention to some stakeholders.	Jones et al. (2007)
	M2	Only in times of financial stress, moral beliefs become less important than the immediate survival of the organization.	Jones et al. (2007)
	M3	Those that have power to affect our organization but no moral claims (e.g., the media, competitors) are also regarded as stakeholders.	Jones et al. (2007)
	M4	Our organization compromises the pursuit of its mission, only when it faces economic pressure or challenges.	Jones et al. (2007)
	M5	Our organization gives more regard to powerful stakeholders than to legitimate stakeholders only in times of financial stress.	Jones et al. (2007)
Altruist	A1	Our organization always adheres to moral principles, even when it does not benefit the organization.	Jones et al. (2007)
	A2	Decisions made here are always based on the interests of all affected stakeholders.	Jones et al. (2007)
	A3	For our organization, concern for the welfare of its legitimate stakeholders is always primary.	Jones et al. (2007)
	A4	Moral beliefs are always most important in making stakeholder-related decisions in our organization.	Jones et al. (2007)
	A5	Our organization never compromises the pursuit of its mission, regardless of any economic pressure or challenges.	Jones et al. (2007)
	A6	Our organization is actively concerned about the interests of beneficiaries/clients and the public.	Victor & Cullen (1988)
	A7	The effects of decisions on beneficiaries/clients and the public are a primary concern in our organization.	Victor & Cullen (1988)
	A8	Our organization always does what is right for its beneficiaries/clients and the public.	Victor & Cullen (1988)
	A9	Our organization has an extremely strong sense of responsibility to its beneficiaries/clients and the public.	Victor & Cullen (1988)

Table 1 Victor and Cullen's (1987, 1988) ethical climate matrix

Ethical criterion	*Locus of analysis*		
	Individual	Local	Cosmopolitan
Egoism	Self-interest	Company profit	Efficiency
Benevolence	Friendship	Team interest	Social responsibility
Principle	Personal morality	Company rules and procedures	Law and professional codes

Source: Victor and Cullen (1988)

Table 2 Sampling and response rates

Industry	*Target population*	*Sample population*	*Responses*	*Response rate*
Health	98	75	47	62.7%
Education	280	137	102	74.5%
Multi-services	73	43	34	79.1%
Religious	51	21	16	76.2%
Community services	100	63	41	65.1%
Social services	100	53	39	73.6%
Disability services	44	23	16	69.6%
Accommodation	63	34	24	70.6%
Miscellaneous[a]	82	57	39	68.4%
Classification not known[b]	650	368	263	71.5%
Total	1541	874	621	71.1%

[a] 'Miscellaneous' consists of various industries that contained a small number of organizations, e.g., animal welfare, recreational services, etc.
[b] 'Classification not known' represents organizations whose industry classification was not provided by the online databases.

Table 3 Descriptive statistics for demographic information

Selected variables	Full sample (N = 621)		Sub-sample 1 (N = 310)		Sub-sample 2 (N = 311)	
Gender	**Frequency**	**%**	**Frequency**	**%**	**Frequency**	**%**
Female	247	39.8	136	43.9	111	35.7
Male	360	58.0	166	53.5	194	62.4
Total	607	97.7	302	97.4	305	98.1
System missing	14	2.3	8	2.6	6	1.9
Age group						
18-24	1	.2	1	.3	0	0
25-34	35	5.6	16	5.2	19	6.1
35-44	112	18.0	62	20.0	50	16.1
45-54	219	35.3	112	36.1	107	34.4
55-64	201	32.4	89	28.7	112	36.0
65-74	44	7.1	23	7.4	21	6.8
75+	6	1.0	5	1.6	1	.3
Total	618	99.5	308	99.4	310	99.7
System missing	3	.5	2	.6	1	.3
Position						
CEO	416	67.0	204	65.8	212	68.2
President/Chairperson	28	4.5	16	5.2	12	3.9
General manager	115	18.5	57	18.4	58	18.6
Other	58	9.3	30	9.7	28	9.0
Total	617	99.4	307	99.0	310	99.7
System missing	4	.6	3	1.0	1	.3
Highest education						
High school	27	4.3	13	4.2	14	4.5
Technical	81	13.0	38	12.3	43	13.8
Bachelor's degree	224	36.1	117	37.7	107	34.4
Master's degree	218	35.1	110	35.5	108	34.7
PhD	40	6.4	20	6.5	20	6.4
Other	26	4.2	9	2.9	17	5.5
Total	616	99.2	307	99.0	309	99.4
System missing	5	.8	3	1.0	2	.6
Organizational size						
<$250,000	76	12.2	42	13.5	34	10.9
$250,000-$1m	147	23.7	66	21.3	81	26.0
$1m-50m	355	57.2	184	59.4	171	55.0
>$50m	33	5.3	11	3.5	22	7.1
Total	611	98.4	303	97.7	308	99.0
System missing	10	1.6	7	2.3	3	1.0
Organizational age						
< 3 years	6	1.0	2	0.6	4	1.3
3-10 years	99	15.9	53	17.1	46	14.8
11-25 years	209	33.7	104	33.5	105	33.8
26-50 years	168	27.1	83	26.8	85	27.3
>50 years	133	21.4	64	20.6	69	22.2
Total	615	99.0	306	98.7	309	99.4
System missing	6	1.0	4	1.3	2	.6

Table 4 Descriptive statistics for scale items (full sample)

Scale items	*N*	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
CE1	618	1	6	1.44	.837
CE2	616	1	6	1.69	1.039
CE3	614	1	6	1.92	1.191
CE4	616	1	6	2.18	1.195
CE5	616	1	6	3.25	1.512
CE6	617	1	6	3.85	1.443
CE7	619	1	6	1.55	.897
I1	617	1	6	3.64	1.274
I2	616	1	6	3.60	1.270
I3	619	1	6	3.79	1.333
I4	616	1	6	1.91	1.137
I5	617	1	6	2.23	1.215
M1	616	1	6	4.08	1.318
M2	614	1	6	2.40	1.327
M3	612	1	6	3.58	1.446
M4	614	1	6	2.33	1.369
M5	612	1	6	2.26	1.228
A1	618	1	6	5.12	1.124
A2	615	1	6	4.72	.975
A3	618	1	6	5.10	.930
A4	618	1	6	4.82	1.009
A5	618	1	6	4.59	1.083
A6	617	1	6	5.36	.861
A7	618	1	6	5.23	.814
A8	619	1	6	5.13	.761
A9	617	2	6	5.59	.626

[a] CE = Corporate Egoist, I = Instrumentalist, M = Moralist, A = Altruist
[b] Each scale item was anchored by "1 Completely false" and "6 Completely true".

Table 5 EFA results: initial eigenvalues, factor loadings and variance explained[a]

	Altruist_client	*Moralist*	*Corporate Egoist*	*Instrumentalist*	*Altruist_general*
A9 Our organization has an extremely strong sense of responsibility to its beneficiaries/clients and the public.	**-.773**	-.007	.082	-.103	-.018
A7 The effects of decisions on beneficiaries/clients and the public are a primary concern in our organization.	**-.737**	-.017	-.028	.086	.014
A8 Our organization always does what is right for its beneficiaries/clients and the public.	**-.581**	-.136	.028	-.086	-.130
A6 Our organization is actively concerned about the interests of beneficiaries/clients and the public.	**-.554**	.088	-.146	.095	-.073
M4 Our organization compromises the pursuit of its mission, only when it faces economic pressure or challenges.	.016	**.845**	-.002	-.079	.013
M5 Our organization gives more regard to powerful stakeholders than to legitimate stakeholders only in times of financial stress.	-.044	**.809**	.017	-.006	.009
M2 Only in times of financial stress, moral beliefs become less important than the immediate survival of the organization.	.021	**.630**	.048	.060	-.013
CE3 Our organization's interest overrides all other considerations.	-.075	.006	**.722**	.035	.003
CE1 Our organization tends to do anything to further its own interest, regardless of the consequences for its stakeholders.	.230	.030	**.580**	.029	-.089
CE2 Work is considered below standard only when it harms the organization's interest.	-.011	.075	**.560**	.004	.039
I1 Satisfying the interests of some stakeholders is seen by our organization as a means to the end of achieving the organization's goals.	.078	.131	.007	**.634**	-.174
I2 Our organization sometimes satisfies the interests of stakeholders who are not normally important if doing so serves the organization's ultimate interest.	-.080	.036	.030	**.494**	.095
I5 Our organization sees powerful stakeholders as of primary importance and legitimate stakeholders as secondary.	.147	.019	.344	**.384**	.054
I4 Moral beliefs are only important when adherence to these beliefs benefits the organization.	.101	.013	.238	**.380**	.138
A2 Decisions made here are always based on the interests of all affected stakeholders.	-.008	-.019	-.060	.073	**-.612**
A4 Moral beliefs are always most important in making stakeholder-related decisions in our organization.	-.052	.007	.066	-.168	**-.576**
A5 Our organization never compromises the pursuit of its mission, regardless of any economic pressure or challenges.	-.089	-.159	.129	-.220	**-.527**
A3 For our organization, concern for the welfare of its legitimate stakeholders is always primary.	-.120	.010	-.109	.223	**-.467**
Initial eigenvalues	4.482	2.226	1.660	1.181	1.063
Explained variance (%)	26.899	12.364	9.220	6.563	5.906
Cumulative explained variance (%)	26.899	39.263	48.483	55.046	60.952
Rotation sums of squared loadings	3.159	2.694	2.327	1.919	2.371

[a] CE = Corporate Egoist, I = Instrumentalist, M = Moralist, A = Altruist

[b] Statistics that load equal to or greater than 0.35 are shown in bold.

Table 6 Squared correlation, average variance extracted (AVE), Cronbach's α and composite reliability (CR)

Factor	Squared correlation			AVE	Cronbach's α	CR
	Moralist	Corporate Egoist	Instrumentalist			
Altruist	0.35	0.24	0.06	0.73	0.81	0.84
Moralist		0.22	0.18	0.57	0.79	0.80
Corporate			0.10	0.44	0.70	0.70
Instrumentalist				0.50	0.62	0.65

Table 7 Test for discriminant validity: alternative models

Model	$\chi^2_{(df)}$	$\Delta\chi^2_{(df)}$	p-vlaue	χ^2/df	GFI	CFI	RMSEA	SRMR
Four-factor	224.196 (96)			2.335	0.910	0.914	0.066	0.062
One-factor	649.729 (104)	425.533 (8)	< 0.0001	6.247	0.754	0.633	0.130	0.103
Two-factor	482.240 (101)	258.044 (5)	< 0.0001	4.775	0.807	0.744	0.110	0.087
Three-factor	281.564 (99)	57.368 (3)	< 0.0001	2.844	0.890	0.877	0.077	0.071

Table 8 Effect of top management's values on stakeholder culture

	Altruist	**Moralist**	**Corporate Egoist**	**Instrumentalist**
Standardized coefficient	0.617	-0.358	-0.264	-0.153
P value	< 0.001	< 0.001	< 0.001	< 0.05
R^2	0.38	0.13	0.07	0.02

Figure 1 Lower-order CFA model

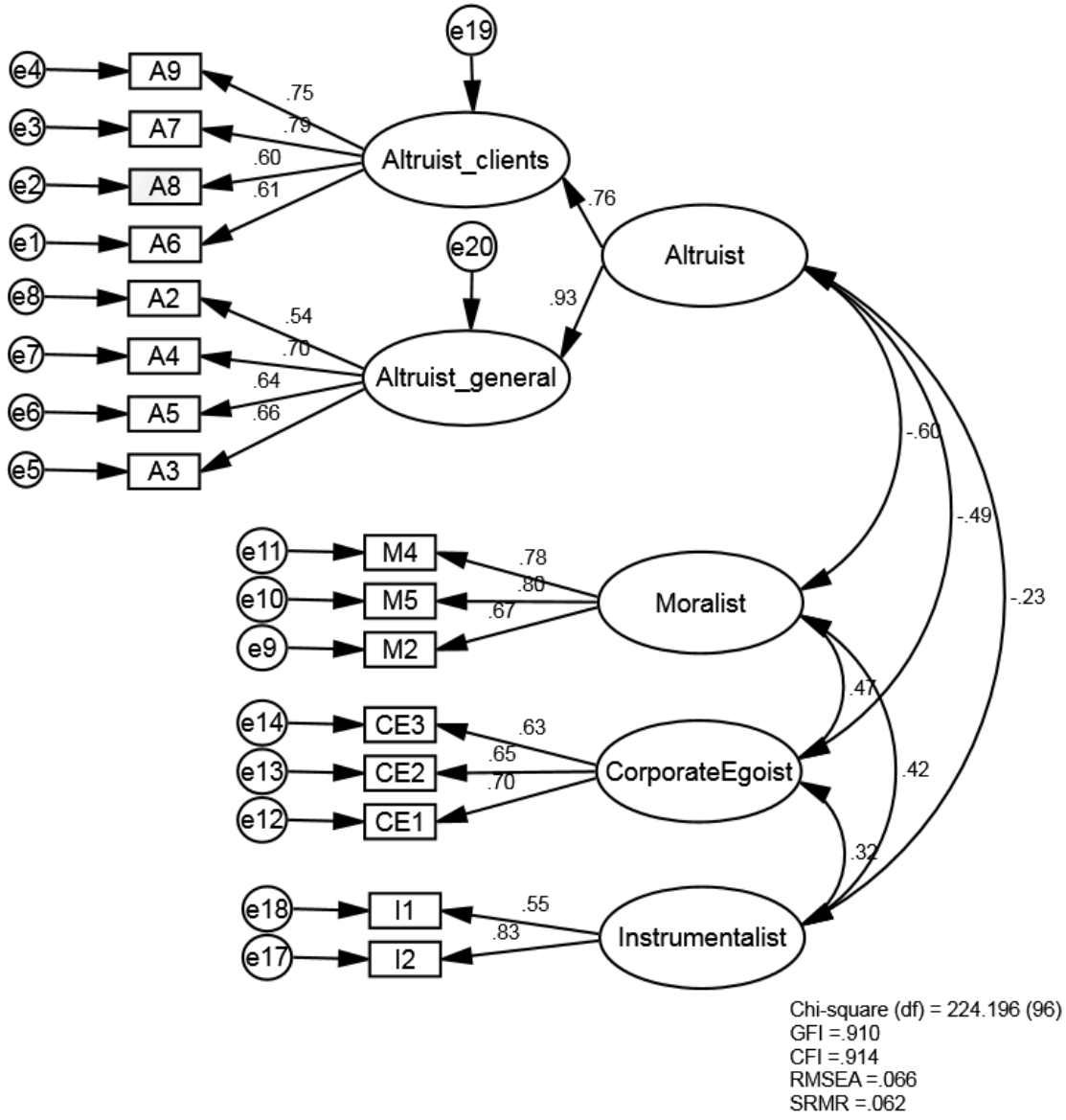
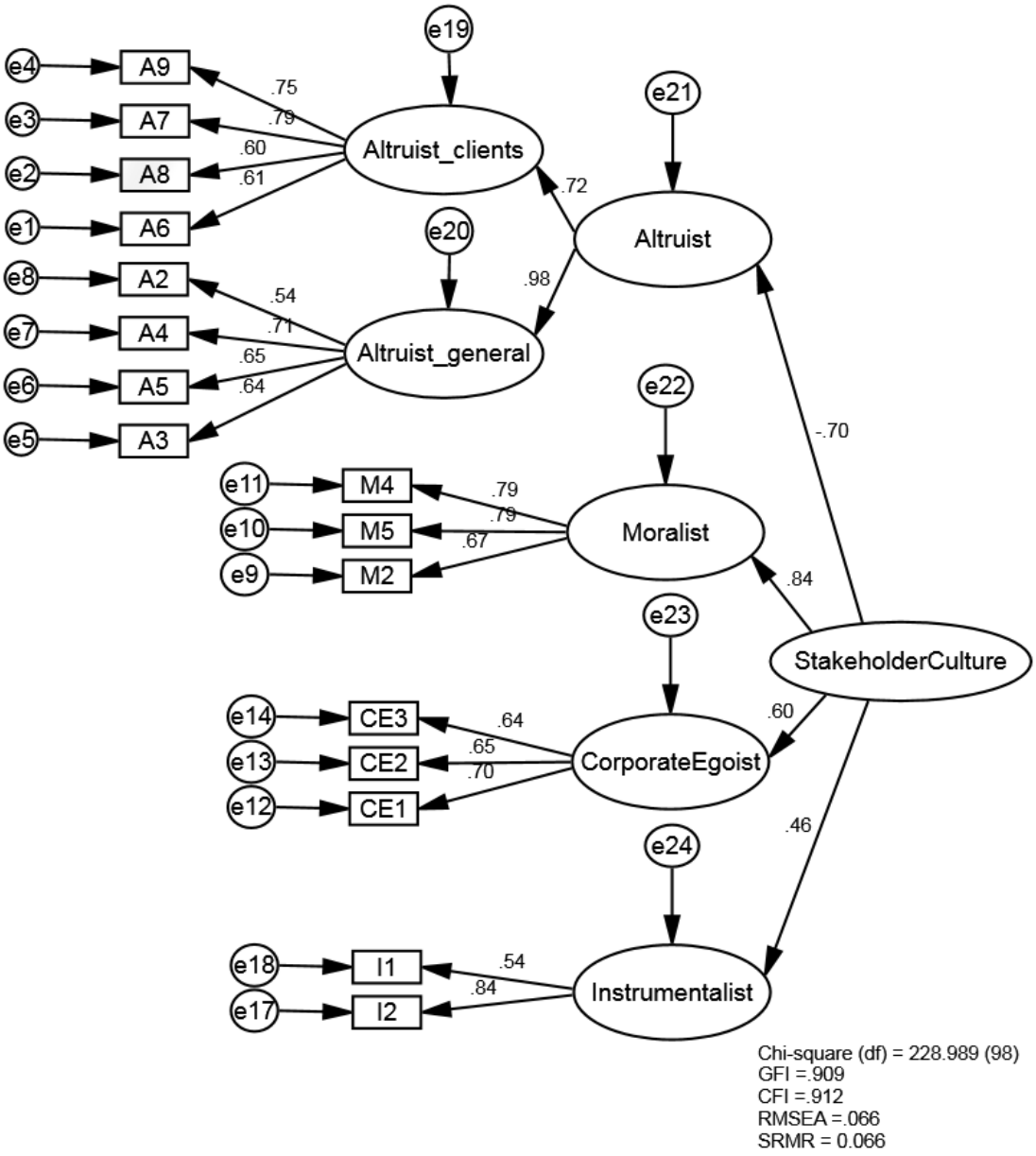


Figure 2 Higher-order CFA model



CHAPTER 3

Paper 2 - Who and What Really Count? An Examination of Stakeholder Attributes and Salience in the Not-for-Profit Sector

Conference presentation

This paper was presented at the 2013 Accounting & Finance Association of Australia and New Zealand (AFAANZ) Conference, Perth, Australia, 7-9 July 2013.

Conference acceptance

This paper was also accepted by the 7th Asia Pacific Interdisciplinary Research in Accounting (APIRA) Conference, Kobe, Japan, 26-28 July 2013.

Abstract

Motivated by the importance of research into stakeholder salience in not-for-profit organizations (NFPs), this study tests and applies Mitchell et al.'s (1997) stakeholder salience framework in the not-for-profit (NFP) context. The study measures the salience of different stakeholders in NFPs, as perceived by top management, and examines the relation between three stakeholder attributes of power, moral legitimacy and urgency and stakeholder salience. The study also tests the moderating effects of CEO (Chief Executive Officer) values and stakeholder culture on the relation between the stakeholder attributes and stakeholder salience. Data were collected from 621 NFPs in Australia through a mail survey. A significant and positive relation was evident between the stakeholder attributes of power and urgency and stakeholder salience. Partial support was found for the moderating effect of stakeholder culture on the relation between moral legitimacy and stakeholder salience.

Keywords: not-for-profit, stakeholder attributes, salience, CEO values, stakeholder culture

1. Introduction

Recent years have seen calls for increased regulation and demands for greater accountability in the not-for-profit (NFP) sector in Australia and internationally (Cordery & Baskerville, 2011). In response to the 2008 Senate Inquiry's recommendation of creating a national regulator for the sector, the Australian Charities and Not-for-profits Commission (ACNC) was established in 2012 with the objectives of reforming and streamlining the regulatory obligations for the sector and enhancing its accountability and transparency.

The establishment of the ACNC heralds an era of changes and reforms in the NFP sector, triggering a need for NFP organizations (NFPs) to enhance their stakeholder management in what has become an unpredictable environment. "A central question in stakeholder management" is stakeholder identification and prioritization (Parent & Deephouse, 2007, p.1). Reforms in the NFP sector often emphasize the importance of stakeholder analysis, which "identifies, classifies and manages disparate stakeholder interests with the underlying principle that all persons or groups with legitimate interests who participate in an enterprise do so to obtain benefits with no *prima facie* priority of one set of interests over another" (Collier, 2008, p.937, citing Bryson, 2004). Identifying and prioritizing stakeholders is seen as an essential part of NFP governance and a primary management function (Harrison & Freeman, 1999; Collier, 2008), since it also shapes strategy formulation and helps sustain organizational performance (Buysse & Verbeke, 2003; Harrison et al., 2010; Knox & Gruar, 2007).

Stakeholder identification and prioritization is important also because it is directly linked to NFP accountability (Woodward & Marshall, 2004; Gurd, 2013). Cordery and Baskerville (2011) attribute the increased regulation and demand for greater accountability in the sector to the failure of NFPs to identify and prioritize their important stakeholder relationships. Consistent with this view, Chartered Secretaries Australia, in its submission

to the 2008 Senate Inquiry into the sector's disclosure practices, states that the enforcement and enhancement of accountability processes begins by asking and answering "who is responsible and to whom?" (Senate Standing Committee on Economics, 2008, p.26). Thus, in order to improve the sector's accountability, understanding of to whom NFPs owe accountability is critical.

As opposed to their for-profit and public sector counterparts, NFPs deal with an array of stakeholders (Costa et al., 2011; LeRoux, 2009; Murtaza, 2012; Davison, 2007; Weerawardena et al., 2010) and rely on them for critical resources (Balser & McClusky, 2005). These stakeholders often have conflicting interests, "calling upon the same pool of limited resource" (Knox & Gruar, 2007, p.119). The 'pragmatic reality', however, is that it is not possible for NFPs to treat all stakeholders equally (Harvey & Schaefer, 2001; Jacobs & Wilford, 2010; Boesso & Michelon, 2010). Hence, 'sorting criteria' are needed (Mitchell et al., 1997; Cordery & Baskerville, 2011). This is because managers have to strategically allocate limited organizational resources in accordance with stakeholder salience and needs, in order to avoid wasting resources on unimportant stakeholders (O'Higgins & Morgan, 2006). Failure to satisfy stakeholder needs is likely to cause financial and reputational harm to an NFP (Neville et al., 2011; Cordery & Baskerville, 2011).

Despite the importance of understanding stakeholder salience in NFPs for stakeholder management and for improving the sector's accountability, stakeholder challenges that confront NFPs are under-examined in the extant stakeholder literature, which is dominated by research on large publicly traded for-profit organizations (Laplume et al., 2008). Collier (2008, p.933) considers an NFP as "a public sector organization in private sector clothing", i.e., a 'quasi-public' organization that occupies the space between the public sector and the for-profit sector. Due to "differing endowments and environmental constraints" among the sectors (Laplume et al., 2008, p.1172), and the significant

difference in the number of stakeholders that each sector has (Drucker, 1992), findings from prior research on stakeholders in the for-profit sector cannot be readily generalized to the NFP setting.

Motivated by the foregoing arguments, this study addresses the questions of 'who really counts', i.e., which stakeholders are perceived as salient by NFP management, and 'what really counts', i.e., what accounts for the differences in perceived stakeholder salience. The study applies and tests a framework of stakeholder salience initially developed by Mitchell et al. (1997), in the NFP context. Dunfee (2008), Neville et al. (2011) and Cordery and Baskerville (2011) contend that Mitchell et al.'s (1997) framework is the best available to resolve tensions associated with allocating resources to different stakeholders, since it "holds considerable unrealized potential for understanding how organizations may best manage multiple stakeholder relationships" (Neville et al., 2011, p.357).

According to Mitchell et al. (1997, p.854), stakeholder salience (defined as "the degree to which managers give priority to competing stakeholder claims") is dependent on the possession of three stakeholder attributes of power, (moral) legitimacy and urgency, as perceived by an organization's managers. Although the relation between these three attributes and stakeholder salience has been widely supported in the for-profit literature, it has not yet been tested empirically in the NFP context (Knox & Gruar, 2007; Parent & Deephouse, 2007).

In addition to testing the relation between stakeholder attributes and salience, this study also examines the moderating effects of individual managerial-level and organizational-level factors on the relation. Agle et al. (1999) found some support for the moderating effect of CEO (Chief Executive Officer) personal values on the attributes-salience relation in the for-profit sector in the United States (U.S.), however, no study to date has examined the moderating effect of CEO values in the NFP context. At the organizational level, Jones

et al. (2007) argue that stakeholder culture (defined as the values, beliefs and practices that are shared within an organization for dealing with stakeholders of the organization) modifies the attributes-salience relation. However, the effect of stakeholder culture on this relation, as proposed by Jones et al. (2007), has not been empirically tested in either the for-profit or NFP context.

Data from 621 NFPs in Australia were collected through a mail survey. The findings show that, overall, clients were viewed by NFP management as the most salient stakeholder group. A significant and positive relation was found between the attributes of stakeholder power and urgency and stakeholder salience. Further, while CEO values were not found to moderate the relation between stakeholder attributes and salience, the moderating role of other-regarding stakeholder culture was partially supported.

This study contributes to the literature and to practice in several ways. First, the study makes a contribution by testing Mitchell et al.'s (1997) stakeholder salience framework in the NFP setting with a large-scale sample, which has not been hitherto undertaken. The study also contributes to the literature by eliciting possible differences and/or similarities in managerial perceptions of stakeholder identification and salience among sectors. Additionally, unlike prior studies that have applied and tested Mitchell et al.'s (1997) framework in its original conceptualization, this study incorporates subsequent developments of the framework relating to the measurement of stakeholder attributes and salience (Neville et al., 2011). Finally, in examining the moderating roles of CEO values and stakeholder culture in the relation between stakeholder attributes and salience, the study provides an additional explanation of this relation and fills an existing gap in the literature.

Second, this study contributes to practice since it is the first to provide comprehensive information on what affects stakeholder prioritization in the NFP sector. This information

will assist NFPs in establishing, prioritizing and improving accountability relationships with stakeholders and will assist NFPs in the formulation of strategies and goals that take into account the needs of salient stakeholders. This, in turn, will facilitate efficient resource allocation among competing stakeholder claims and improve organizational performance (Neville et al., 2011; Cummings & Patel, 2009). The results of this study will also assist policy makers considering regulatory and legislative reforms within this fast-growing sector (Productivity Commission, 2010; Senate Standing Committee on Economics, 2008). The results may assist in developing relevant reforms that are "more clearly identified with the different stakeholder groups" (Cordery & Baskerville, 2005, p.8).

The remainder of the paper is organized as follows. The next section outlines the Mitchell et al. (1997) stakeholder salience framework and hypotheses development. This is followed by a discussion of the research method and empirical model in Sections 3 and 4, respectively. Section 5 reports the results and Section 6 discusses the results and implications. The final section provides a conclusion, identifies some limitations of the study and suggests directions for future research.

2. Theoretical framework and hypotheses development

2.1 Stakeholder salience framework

Mitchell et al.'s (1997) stakeholder salience framework has gained wide acceptance among researchers (Neville et al., 2011; Parent & Deephouse, 2007). Benson and Davidson (2010) view Mitchell et al.'s (1997) stakeholder salience framework as 'the most complete treatment' of issues relating to prioritization of stakeholder claims.

Under the Mitchell et al. (1997) framework, an organization's stakeholders can be prioritized based on managerial perceptions of three attributes: (a) stakeholders' power to influence the organization, (b) the legitimacy of stakeholders' relationships with the organization, and (c) the urgency of stakeholders' claim on the organization. The three

stakeholder attributes of power, legitimacy and urgency are socially constructed realities (Mitchell et al., 1997). These three attributes determine 'stakeholder salience', which was redefined by Neville et al. (2011, p.369) as "the prioritization of stakeholder claims by managers based on their perception of the degree of power of the stakeholder and the degree of moral legitimacy and urgency of the claim".[1] The relation between the stakeholder attributes and salience has received substantial support in the for-profit literature (Laplume et al., 2008).[2]

Mitchell et al.'s (1997) framework has gained recognition in research on public sector organizations (O'Higgins & Morgan, 2006; de Bussy & Kelly, 2010) and on NFPs (Cordery & Baskerville, 2011; Hill & Crombie, 2010; Knox & Gruar, 2007; Palmer, 2013; Parent & Deephouse, 2007;; Reynolds et al., 2006). Although Hill and Crombie's (2010) examination of one small NFP does not support Mitchell et al.'s (1997) framework, other studies give credence to the use of the framework in the NFP context. Cordery and Baskerville (2011) argue that the application of the framework contributes to a better identification of accountability relationships and construction of accountability in NFPs, which is supported by Palmer (2013).

2.1.1 Power

A stakeholder has power, "to the extent it has or can gain access to coercive, utilitarian, or normative means, to impose its will in the relationship"[3] (Mitchell et al., 1997, p.865). Power is, therefore, a characteristic of the stakeholder itself and depends on the extent to which the stakeholder can influence the actions of an organization.

[1] Mitchell et al. (1997) define stakeholder salience as the extent to which different stakeholder claims are prioritized.
[2] Studies that have found empirical support for Mitchell et al.'s (1997) framework include Agle et al. (1999), Boesso and Kumar (2009), de Bussy and Kelly (2010), Eesley and Lenox (2006), Gifford (2010), Harvey and Schaefer (2001), Knox and Gruar (2007), Magness (2008), and Winn (2001).
[3] Mitchell et al. (1997) drew on Etzioni (1964) to define what stakeholder power is: coercive power refers to physical force; utilitarian power involves the use of material rewards including money; normative or social power relies on the use of symbols such as prestige, esteem, love and acceptance.

The relation between stakeholder power and salience has typically been based on one or more theories of agency, resource dependence and transaction costs (Mitchell et al., 1997, p.863). Agency and transaction cost theories are relevant to the for-profit sector involving markets and shareholders/owners as stakeholders. For instance, under the agency theory, "managers are expected to attend to those stakeholders having the power to reward and/or punish them" (Mitchell et al., 1997, p.863).

Resource dependence theory is relevant to both the for-profit and NFP sectors and "suggests that power accrues to those who control resources needed by the organization, creating power differentials among parties…and…confirms that the possession of resource power makes a stakeholder important to managers" (Mitchell et al., 1997, p.863, citing Pfeffer, 1981). According to resource dependence theory, an organization needs to meet the expectations of stakeholders that control important resources in order to warrant an organization's survival (Wellens & Jegers, 2011; Pfeffer & Salancik, 1978). Frooman (1999, p.195) asserts that "it is the dependence of firms on environmental actors (i.e., external stakeholders) for resources that gives those actors leverage over a firm".

In the NFP literature, power is typically discussed using resource dependence theory with a focus on financial resources (Brandl & Güttel, 2007; Roberts, 1992; O'Dwyer & Unerman, 2008; Gurd, 2013). NFPs are dependent on funding agents of government, corporate and foundation donors and individual donors for financial resources. Government and institutional donors, *vis-a-vis* individual donors, donate a larger proportion of financial resources to NFPs, and hence can exert power on NFPs. Individual donors, on their own, are not likely to exercise power on NFPs. This is because individual donors are more diverse and more diffused than government and institutional donors (LeRoux, 2009), and it is difficult for stakeholders with diffused power to act collectively to "establish a credible threat" to attract attention (Hill & Jones, 1992, p.149). NFPs also rely on volunteers for free labour and employees who partly donate their labour (Brown &

Moore, 2001), forming a resource dependence relationship. In contrast, NFP clients possess significantly less power than funding agents or are virtually powerless (LeRoux, 2009; Kilby, 2006; Saxton & Guo, 2011; Lloyd & de las Casas, 2005; Palmer, 2013; Cordery & Baskerville, 2011; Bruce, 1995).

2.1.2 Moral legitimacy

Legitimacy refers to the claims of stakeholders rather than the stakeholders themselves (Neville et al., 2011). Mitchell et al. (1997) adopt Suchman's (1995) composite definition of legitimacy comprising moral, cognitive and pragmatic dimensions, and define it as the degree to which a stakeholder's relationship with an organization is seen as appropriate, proper and desirable in the social context. Neville et al. (2011) argue that only the moral dimension of legitimacy is relevant as a stakeholder attribute in Mitchell et al.'s (1997) framework. Also, restricting legitimacy to its moral dimension avoids 'double counting' the stakeholder attribute of power, given that it is difficult to disentangle pragmatic legitimacy from power (Neville et al., 2011). Neville et al.'s (2011) argument for 'moral legitimacy' is supported by the description of stakeholder legitimacy in other studies (Jawahar & McLaughlin, 2001; Savage et al., 2004; Phillips, 2003; Cordery & Baskerville, 2011; Jones et al., 2007).

Criticizing Mitchell et al.'s (1997) composite definition of legitimacy as confusing, Neville et al. (2011, p.13) revised the definition of legitimacy as "an assessment by managers of the degree to which a claim exceeds a threshold of desirability and appropriateness within some personally, organizationally, and socially constructed system of ethical norms, values, beliefs, and definitions". Neville et al.'s (2011) definition not only allows the attribute of legitimacy to be assessed from a moral perspective (i.e., moral legitimacy), but also recognizes the individual/personal and organizational/situational-level factors that affect how managers assess legitimacy, other than the social context.

The relation between stakeholder legitimacy and stakeholder salience is based on institutional and population ecology theories (Mitchell et al., 1997). Mitchell et al. (1997, p.864) note that under both organizational theories, legitimacy is closely associated with organizational survival, and that legitimate stakeholders "are the ones who 'really count'". Mitchell et al. (1997, p.864) argue that, under institutional theory, "'illegitimacy' results in isomorphic pressures on organizations that operate outside of accepted norms". This is because the legal, cultural and societal contexts, in which an organization functions, exert pressure on the organization, reflecting coercive isomorphism (DiMaggio & Powell, 1983). In order to survive, organizations compete for institutional legitimacy by conforming to the legal, cultural and societal rules or expectations. Under population ecology theory, "lack of legitimacy results in organizational mortality" (Mitchell et al., 1997, p.864), since organizational morality rate is inversely related to legitimacy (Carroll & Hannan, 1989).

2.1.3 Urgency

Urgency is defined as "the degree to which stakeholder claims call for immediate attention" (Mitchell et al., 1997). Urgency adds dynamism to the analysis of stakeholder salience, and may be seen as the extra 'push' required to elevate a stakeholder's claims to a more salient position. Urgency exists when the claim is time-sensitive and critical to stakeholders (Mitchell et al., 1997). Mitchell et al. (1997, p.867) argue that the relation between stakeholder urgency and salience is implicit in agency, institutional and resource dependence theories. Mitchell et al. (1997, p.864) note that an underlying "constant in the stakeholder-manager relationship (in the organizational theories) is the attention-getting capacity of the urgent claim".

The foregoing arguments supporting the relation between the three stakeholder attributes (power, moral legitimacy and urgency) and stakeholder salience, together with Parent and Deephouse's (2007) empirical support for the relation in their two NFP case studies,

allow the following hypothesis proposed by Mitchell et al. (1997) to be applied and tested in the NFP context.

H1: The stakeholder attributes of power, moral legitimacy and urgency will be positively related to stakeholder salience.

2.2 Development of the stakeholder salience framework

While it is generally agreed that Mitchell et al.'s (1997) stakeholder salience framework is managerially and theoretically sound and has gained wide acceptance among researchers, there have been subsequent suggestions to develop the framework and improve its use as an actionable tool for stakeholder management. Neville et al. (2011) identify three weaknesses of the framework and suggest refinements to be made in testing the framework.[4] Other studies have argued that stakeholder salience varies by managerial values (Agle et al., 1999), managerial intuition (Harvey & Schaefer, 2001), stakeholder culture (Jones et al., 2007), organizational commitment (Buysse & Verbeke, 2003), managerial position (Parent & Deephouse, 2007), organizational lifecycle stage (Jawahar & McLaughlin, 2001), country context (Cummings & Guthrie, 2007), and the industries that the organizations operate in (Fineman & Clarke, 1996; Boesso & Kumar, 2009).

Consequent upon these suggestions for developments to the framework, Mitchell et al. (2011, p.237) assert that "both managerial attributes such as values, beliefs, attitudes, etc. and institutional contexts influence managers' perceptions and prioritization process with regard to stakeholders". This is further supported by Neville et al.'s (2011, p.366) claim that managers' assessment of moral legitimacy is influenced by personal, organizational and socially constructed norms and beliefs. These arguments suggest a need to examine the moderating effects of both individual managerial-level and organizational-level factors on the relation between stakeholder attributes and stakeholder salience.

[4] The three weaknesses described by Neville et al. (2011) are: (a) urgency is not relevant in identifying stakeholders, (b) legitimacy should be narrowed to 'moral legitimacy' only, and (c) the three stakeholder attributes vary in degree and hence lead to the changes in stakeholder salience. As noted earlier, some of Neville et al.'s (2011) suggested refinements to address these weaknesses are incorporated in this study.

2.2.1 Moderating role of CEO values

With respect to managerial characteristics and values, Agle et al. (1999) argue that CEO values will potentially moderate the stakeholder attributes-salience relation, since values affect perceptions. The argument is based on the premises that "people perceive as important the things that are somehow connected with their values" and that "CEOs are especially sensitive to the link between values and perception, because people are attracted to leaders who are perceived to 'walk their talk' or lead by the values they proclaim" (Agle et al., 1999, p.511). As CEO values can vary on a continuum from 'profit maximization - firm-centered' to 'other-regarding – system-centered' (Agle et al., 1999, p.511), the variations could influence how stakeholder attributes and salience are perceived.

Agle et al. (1999, p.510, citing Jensen and Meckling, 1976 and Rubin, 1990) focus on the self-interest versus other-regarding dimension of human values, because this dimension has "prompted the development of entire streams of organizational theory, such as agency theory, to explain its impacts". Agle et al. (1999) hypothesized, in their for-profit context, that other-regarding values would be positively related to the salience of non-shareholders (as other stakeholders) and negatively related to the salience of (profit-centered) shareholders. Agle et al.'s (1999) empirical analyses yielded inconclusive results, with CEO values moderating the relation between stakeholder attributes and salience for two stakeholders, employees and customers.

Although Agle et al. (1999) hypothesized that CEO values would affect CEO perceptions of the three stakeholder attributes, this study adopts Jones et al.'s (2007) view that it is the stakeholder attributes of power and moral legitimacy that are influenced by ethical perspectives. Jones et al. (2007, p.137) contend that "managers often feel tension between these two sentiments [i.e., self-interested versus other-regarding] when they make stakeholder-related decisions, a tension frequently linked to and emanating from

stakeholder attributes: power and legitimacy". Since CEO other-regarding values are connected to morality and ethics, it is hypothesized, following and adapted from Agle et al. (1999), that those (other-regarding) values will reduce the influence of stakeholder power and increase the impact of moral legitimacy on stakeholder salience. Following these arguments the following hypotheses are proposed.

H2: CEO other-regarding values will negatively moderate the relation between the stakeholder attribute of power and stakeholder salience.

H3: CEO other-regarding values will positively moderate the relation between the stakeholder attribute of moral legitimacy and stakeholder salience.

2.2.2 Moderating role of stakeholder culture

With respect to organizational-level factors, Jones et al. (2007) propose that their typology of stakeholder culture, which is defined as the values, beliefs and practices that are shared within an organization for dealing with stakeholders of the organization, moderates the stakeholder attributes-salience relation. Stakeholder culture is akin to the notion of 'institutional logics', as described by Mitchell et al. (2011, p.236), who assert that "religious organizations tend to focus on issues of salvation, service to the needy, social adhesion, etc…institutional logics will influence the way managers view stakeholder salience". Laplume et al. (2008) recommend that the institutional/organizational context of stakeholder culture, as proposed by Jones et al. (2007), be integrated into the stakeholder attributes-salience analysis for a deeper understanding of Mitchell et al.'s (2007) framework.

Jones et al. (2007) propose four other-regarding stakeholder cultures in the for-profit context: corporate egoist, instrumentalist, moralist and altruist. Given their shared trait of being self-interested, corporate egoist and instrumentalist are combined to what Jones et al. (2007) call 'limited morality', an umbrella term. Although organizations in both stakeholder cultures demonstrate moral commitment to shareholders only, instrumentalist

organizations are strategically moral to non-shareholder stakeholders in order to maximize shareholders' long-term financial wealth (Jones et al., 2007). As such, they are known as operating under 'enlightened self-interest' and 'self-interest with guile'. Moralist and altruist organizations are both other-regarding, and hence combined under the umbrella term of 'broadly moral'. However, while adherence to moral principles is unconditional for altruist organizations, moralist organizations care less for non-shareholder stakeholders when they face financial crisis.

Central to Jones et al.'s (2007, p.151) argument about the moderating role of stakeholder culture is that "responding to power is simply rational self-regarding behaviour, whereas responding to legitimacy derives from other-regarding (moral) sentiments". Jones et al. (2007) argue that what distinguishes the two broad 'limited morality' and 'broadly moral' cultures is that they weigh the stakeholder attributes of power and legitimacy differently. Being less other-regarding, 'limited morality' (corporate egoist and instrumentalist) organizations see power as the primary attribute (i.e., the most important driver) of stakeholder salience, while the primary driver of stakeholder salience for 'broadly moral' (moralist and altruist) organizations is moral legitimacy. Thus, the different weights that each stakeholder culture places on the stakeholder attributes of power and moral legitimacy give rise to the following two hypotheses.

H4: Broadly moral stakeholder culture will negatively moderate the relation between the stakeholder attribute of power and stakeholder salience.

H5: Broadly moral stakeholder culture will positively moderate the relation between the stakeholder attribute of moral legitimacy and stakeholder salience.

3. Method

3.1 Survey design

As the study tests Mitchell et al.'s (1997) stakeholder salience framework in the NFP context, the survey method is appropriate given its ability to describe populations and to

generalize findings. The survey questionnaire was constructed and administered following the Tailored Design Method (Dillman et al., 2008). Survey respondents were invited to comment on their experience with their organizations' stakeholders at the end of the questionnaire. The questionnaire was pre-tested with twelve academic colleagues and four NFP executives, resulting in minor refinement to the questionnaire format and the wording of some terms.

3.2 Sample selection

In Australia, there is a wide range of legal forms that are applicable to NFPs, including companies limited by guarantee, incorporated associations and trusts. Only companies limited by guarantee were chosen for this study as the scope of the examination, allowing comparisons of its findings with prior studies conducted in the for-profit corporate context (Agle et al., 1999) and NFP companies (Woodward & Marshall, 2004). Also, since state/territory regulation over NFPs of other legal forms (e.g., incorporated associations) differs considerably, limiting the examination to NFPs formed as companies limited by guarantee eliminates noise that may affect NFPs' perceptions of government (as a regulator). Targeted survey participants were the top management of NFPs, i.e., Chief Executive Officers (CEOs), general managers or presidents/chairpersons. From the stakeholder-agency perspective, these people are at the center of the nexus between an organization and its stakeholders, and therefore they determine stakeholder salience (Agle et al., 1999; Ritchie et al., 2007; Hill & Jones, 1992).

Potential participants were initially identified from the *Connecting Up Directory: Australian Nonprofit and Charity Organizations* that was published in January 2012. Since it was the first national NFP database in Australia and was newly released, some organizations may not have had an opportunity to be included in the directory. Therefore, other directories were also consulted in order to generate a representative and diverse

sample.[5] The compiled list resulted in the identification of 2249 organizations, whose contact persons and phone numbers were individually checked by one of the researchers against the details provided on their websites. This procedure resulted in 708 organizations being deleted due to duplication, lack of contact details or misclassification. The final target population consisted of 1541 organizations. Table 1 shows the distribution of the 1541 organizations across industry classifications, as well as the number of organizations sampled, the number of responses and the percentage response rate for each industry and in total. Nine pre-classified industries identified by the online databases/directories are used together with 'classification not known', where the industry classification is not provided by the online databases/directories.

<Insert Table 1 here>

3.3 Survey administration and response rate

A research assistant recruited survey participants via the telephone. The research assistant communicated the purpose and importance of the research to the CEOs of targeted organizations. With organizations where there was no CEO position or the CEO was not available, the president/chairperson or general manager (or equivalent) was contacted instead. This recruitment phrase resulted in a survey population of 874 NFP CEOs or equivalents agreeing to participate.

Once an organization's top management personnel was contacted, questionnaires were progressively mailed by one of the researchers to the executives during the period from February to June 2012. Each participant was posted a copy of the questionnaire, prepared as a visually attractive booklet. They were also posted a consent form (as a personalized letter), a pre-paid self-addressed return envelope and a postcard that allowed respondents to request a summary of the results of the study, and also enabled the researcher to identify

[5] Information for other NFP companies was obtained from the online lists or directories of the Australian Council for International Development (ACFID), Australian Government Overseas Aid Program (AusAid), Australian Government Directory (AGD), Pathways Australia, Pro-bono Australia and RememberMe.

the respondents separately from the returned questionnaires to allow follow-up while still ensuring anonymity. One telephone follow-up was made by the same research assistant to the organizations that had not returned questionnaires within three weeks of the first mailout. Questionnaires with a different colour for the cover page were re-posted to these organizations in order to identify the late respondents for analysis of non-response bias. In total, 621 questionnaires were returned, representing a response rate of 71.1% (621 out of 874).

3.4 Biases

The survey method is subject to potential biases of non-response, common method and social desirability. Non-response is not likely to be a concern given the high response rate and the relatively large sample size (Van der Stede et al., 2005). Further, as shown in Table 1, the response rates across the pre-classified industries were consistently high, ranging from 62.7% to 79.1%, indicating that the NFP sub-sectors are proportionally represented in the sample. A comparison of early versus late respondents was performed in two stages (Roberts, 1999). First, chi-square tests of the organizational demographic characteristics (i.e., organizational size, age and self-nominated industry) showed no significant differences between the early and late respondents. Second, one-way analysis of variance (ANOVA) comparisons of the mean values of the independent and dependent variables showed only two out of 30 mean comparisons (i.e., variables relating to donor urgency and volunteer salience) to be different between early and late respondents, and hence non-response bias is unlikely to be an issue (Chung et al., 2009).

To test for common method bias, Harman's (1967) single-factor test was used (Chang et al., 2010; Podsakoff et al., 2003). Exploratory factor analysis showed the total variance explained by a single factor is low (23.02%) and well below the 50% threshold that may indicate the presence of this bias (Podsakoff et al., 2003; Karatepe & Aleshinloye, 2009). Social desirability was managed through the maintenance of anonymity and

confidentiality of respondents (Nederhof, 1985; Fisher, 1993). The cover letter emphasized to respondents that their participation was voluntary and they could withdraw their participation at any time. Also, the cover letter stressed that their responses would be kept strictly anonymous and confidential. Additionally, the questions used to measure the construct of stakeholder salience were proxies and avoided the direct use of the term to prevent respondents from answering questions in favour of societal expectations.

4. Empirical model

The classic definition of stakeholders is "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, p.46). The NFP literature has identified the following seven 'key' stakeholder groups, namely, funding agents (i.e., government, institutional donors and individual donors), paid employees, volunteers, clients (or beneficiaries) and members.[6]

The five hypotheses were tested using Ordinary Least Squares (OLS) regression. Model 1 represents seven main effects regression analyses for H1, one for each of the seven stakeholder groups. Model 2 tests H2-H5 and represents seven moderated regression analyses.

Model 1 (Main effects model)

$$SALIENCE = \beta_0 + \beta_1 POWER + \beta_2 LEGITIMACY + \beta_3 URGENCY + \varepsilon$$

Model 2 (Moderated model)

$$SALIENCE = \beta_0 + \beta_1 POWER + \beta_2 LEGITIMACY + \beta_3 URGENCY + \beta_4 CEOV + \beta_5 SHCULTURE + \beta_6 POWER*CEOV + \beta_7 LEGITIMACY*CEOV + \beta_8 URGENCY*CEOV + \beta_9 POWER*SHCULTURE + \beta_{10} LEGITIMACY*SHCULTURE + \beta_{11} URGENCY*SHCULTURE + \varepsilon$$

Variable description:

SALIENCE = stakeholder salience of each stakeholder group
POWER = stakeholder power
LEGITIMACY = stakeholder moral legitimacy
URGENCY = stakeholder urgency
CEOV = CEO other-regarding values (CEO values)
SHCULTURE = other-regarding altruist stakeholder culture (stakeholder culture)
POWER*CEOV = product term of stakeholder power and CEO values
LEGITIMACY*CEOV = product term of stakeholder moral legitimacy and CEO values
URGENCY*CEOV = product term of stakeholder urgency and CEO values
POWER*SHCULTURE = product term of stakeholder power and stakeholder culture
LEGITIMACY*SHCULTURE = product term of stakeholder moral legitimacy and stakeholder culture
URGENCY*SHCULTURE= product term of stakeholder urgency and stakeholder culture

[6] A summary of the prior studies that identify NFP stakeholders is provided in Appendix A. Institutional donors comprise corporate donors, who are corporations that contribute to NFPs through cash gifts, sponsorship of events, fundraising and in-kind support (LeRoux, 2009), and foundation donors, who are private NFPs that provide funds to other NFPs. Individual donors are those from the general public that donate to NFPs.

4.1 Measures of stakeholder salience

Mitchell and Agle (1997) proposed three measures of stakeholder salience.[7] Agle et al. (1999) and Boesso and Kumar (2009) used one of the three measures, namely, "what level of priority do you assign this stakeholder?". This study uses the other two measures of stakeholder salience (i.e., "what level of the organization's resources has gone to satisfying this stakeholder's claims?" and "how much of your time do you spend thinking about or acting on the claims of this stakeholder?"). The demands of time and resources pose a significant challenge to NFPs in balancing their multiple accountabilities (Sinclair et al., 2010) and, as such, these two measures are manifestations of stakeholder salience. Hence, they proxy stakeholder salience more subtly compared to the use of level of priority, and also reduce the potential for social desirability bias.

Respondents were asked to rate two statements related to stakeholder salience on a seven-point Likert-type scale that ranged from "1 Strongly disagree" to "7 Strongly agree" (see Appendix B for the specific wording of the two statements). Scores of the two measures of salience were summed to generate the total salience score for each of the seven stakeholder groups. To overcome the problem that some stakeholder groups are not relevant for certain organizations (e.g., an NFP may not have volunteers or individual donors), respondents were instructed to leave blank any questions relating to irrelevant stakeholder groups.

4.2 Measures of stakeholder attributes

The stakeholder attributes of power and urgency were measured in accordance with Agle et al. (1999). Power was measured by the statement "This stakeholder group was powerful", with powerful defined as "able to apply a high level of direct economic reward or punishment and/or coercive or physical force and/or positive or negative social

[7] The three measures are: a) what level of the organization's resources has gone to satisfying this stakeholder's claims?; b) what level of priority do you assign this stakeholder?; and c) how much of your time do you spend thinking about or acting on the claims of this stakeholder?.

influence to obtain its will". Urgency was measured by the statement "The claims of this stakeholder group were viewed by our management as urgent", with urgent defined as "requiring immediate attention; pressing and important". As recommended by Neville et al. (2011), moral legitimacy was measured by the statement "The claims (i.e., demands or desires) of this stakeholder group were viewed by our management as morally legitimate", defined as "desirable or appropriate; intrinsically right and proper". Similar to the measure for stakeholder salience, respondents were asked to rate each of the three statements of stakeholder attributes on a seven-point Likert-type scale anchored by "1 Strongly disagree" and "7 Strongly agree" (see Appendix B).

4.3 Measure of CEO values

The measure of CEO values is based on Agle et al. (1999), who adopted seven items relating to the self-regarding and other-regarding value dimension of Rokeach's (1972) value instrument, namely, "(1) a comfortable life (a prosperous life), (2) helpful (working for the welfare of others), (3) compassion (feeling empathy for others), (4) wealth (making money for myself and family), (5) equality (brotherhood, equal opportunity for all), (6) loving (being affectionate, tender), and (7) pleasure (an enjoyable life)". Items 2, 3, 5 and 6 represent other-regarding values and items 1, 4 and 7 represent self-regarding (self-interested) values. Respondents were asked to rate the importance of the seven values on a seven-point Likert-type scale that ranged from "1 Least important" to "7 Most important".

4.4 Measure of stakeholder culture

Since there was no existing scale to measure Jones et al.'s (2007) stakeholder culture, a scale was developed comprising 33 items derived from the existing literature and from Jones et al.'s (2007) descriptions of the four stakeholder cultures of corporate egoist, instrumentalist, moralist and altruist. The stakeholder culture scale was developed following the approaches of Kaptein (2008), Hinkin (1995) and Hinkin et al. (1997). A six-point Likert-type scale ranging from "1 Completely false" to "6 Completely true" was

used. After consulting academic colleagues and NFP personnel through an item review and a pre-test, seven items were deleted, resulting in 26 items being used. The resulting 26 items are shown in Appendix C, together with their corresponding stakeholder culture codes and literature sources. The stakeholder culture codes are CE (corporate egoist), I (instrumentalist), M (moralist) and A (altruist).

5. Results

5.1 Descriptive statistics

The respondents were spread over all twelve industries classified under the International Classification of Nonprofit Organizations (ICNO), with 25% from the education industry and 33.5% from the health industry, reflecting the weights of these industries in the target population. Respondents comprised CEOs (67.0%), general managers (18.5%), presidents/chairpersons (4.5%) and other key personnel (9.3%). Males and females were approximately equally represented in the sample (58.0% were males).

The descriptive statistics in Table 2 indicate the salience levels of the seven stakeholder groups. The mean scores of stakeholder salience indicated that on average, clients (SC mean = 11.07) were seen as the most salient stakeholder group for NFPs surveyed. This was followed by government (SG mean = 10.03), paid employees (SE mean = 9.56), members (SM mean = 9.47), institutional donors (SI mean = 8.04), volunteers (SV mean = 7.99) and individual donors (SD mean = 7.37). Among the three groups of funding agents, government was, on average, perceived as more salient (mean = 10.03) than institutional donors (mean = 8.04) and private donors (mean = 7.37). The high salience given to government was also reflected in the comments that respondents provided at the end of the survey. A number of respondents expressed concern over the time and organizational resources involved in complying with the government's reporting requirements.

<Insert Table 2 here>

Also shown in Table 2 were the mean scores of the three stakeholder attributes of power, moral legitimacy and urgency. Government was perceived to be the most powerful (PG mean = 5.50), followed by members (PM mean = 5.04), employees (PE mean = 4.95) and clients (PC mean = 4.91). These four stakeholder groups' claims were also perceived as the most morally legitimate and urgent. Clients were seen as the most morally legitimate stakeholder group (LC mean = 5.85), preceding members (LM mean = 5.56), employees (LE mean = 5.50) and government (LG mean = 5.29). The claims of clients were ranked as the most urgent (UC mean = 5.68), then government (UG mean = 5.45), members (UM mean = 5.13), and employees (UE mean = 5.10). As expected, individual donors were, on average, perceived as the least powerful (PD mean = 3.66), with their claims also being the least morally legitimate (LD mean = 4.81) and the least urgent (UD mean = 4.17).

As Boesso and Kumur (2009) found, stakeholder salience can vary by industry. Mean salience scores of each stakeholder group across industries are displayed in Table 3. Table 3 shows that NFPs in the business and professional associations and unions industry, and the law, advocacy and politics industry viewed members as the most salient, and higher than for all other industries. While the mean salience scores of government were higher in the industry classifications of development and housing, international, philanthropic intermediaries and voluntarism promotion, and health, the mean salience scores of individual donors were higher in the philanthropic intermediaries and voluntarism promotion and international industries. To assess whether the mean salience scores differed significantly among industries, one-way analysis of variance (ANOVA) was conducted. The results, as shown in Table 3, indicate that the mean salience scores significantly varied among industries for five stakeholder groups: government ($F = 2.710$, $p < 0.01$), individual donors ($F = 2.393$, $p < 0.01$), employees ($F = 2.210$, $p < 0.05$), clients ($F = 3.102$, $p < 0.001$) and members ($F = 5.788$, $p < 0.001$).

<Insert Table 3 here>

5.2 Factor analysis

5.2.1 CEO values

Both exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) were performed on the seven items that measure CEO values. Table 4 shows the EFA results. The seven value items loaded on two factors, named self-regarding values (with items 1, 4 and 7) and other-regarding values (with items 2, 3, 5 and 6), resulting in a 'simple structure'. Alternative extraction methods (e.g., maximum likelihood and principal component analysis) and rotation methods (i.e., varimax and oblique) were used and they produced the same factor structure. The internal consistency of each sub-scale was high (Cronbach's $\alpha = 0.795$ and 0.745). A continuous moderating variable of CEO values (CEOV) was computed by reversing the scores of self-regarding items (i.e., items 1, 4 and 7) prior to summing the seven items (Agle et al., 1999), resulting in a scale ranging from low to high other-regarding values.

<Insert Table 4 here>

5.2.2 Stakeholder culture

As illustrated in Table 5, EFA of the stakeholder culture items produced a five-factor structure, with the prescribed altruist stakeholder culture split into two sub-factors (i.e., Altruist_client and Altruist_general). CFA examined a four-factor model according to Jones et al. (2007) by combining the sub-factors of the altruist stakeholder culture. The four-factor scale indicated good model fit, reliability and validity, and represented Jones et al.'s (2007) cultural types of corporate egoist, instrumentalist, moralist and altruist.

The mean scores of the stakeholder culture statements indicated that NFPs predominantly had an altruist stakeholder culture. This was not surprising given the nature of NFPs, for which substantive moral values justify their existence. Since it was not practical to categorize NFPs into different stakeholder culture types, a continuous moderating variable of stakeholder culture was computed instead. Parallelling the computation of CEO other-

regarding values, items for the factors of instrumentalist and moralist were omitted, leaving eleven items relating to the (self-interested) corporate egoist stakeholder culture and the (other-regarding) altruist stakeholder culture.[8] Similarly, scores of the corporate egoist stakeholder culture items were reversed prior to summing the eleven items to form a continuous variable for other-regarding stakeholder culture, ranging from low to high altruism.

<Insert Table 5 here>

5.3 Regression analyses

5.3.1 Correlation

Table 6 reports the pairwise Pearson correlation coefficients of the dependent variables and the independent variables (power, moral legitimacy and urgency). Table 6 shows that salience was significantly correlated with the three stakeholder attributes ($p < 0.05$) for all seven stakeholder groups. There were no high correlations (i.e., correlation coefficients exceeding 0.7) among the independent variables, suggesting no evidence of multicollinearity (Tabachnick & Fidell, 2001; Glasberg et al., 2007).

<Insert Table 6 here>

5.3.2 Main effects regressions

Since this study tested a main effects model (Model 1) and a moderated model (Model 2), hierarchical multiple regression analyses advocated by Cohen and Cohen (1983) were conducted. Table 7 shows the results of the regression analyses for Model 1 (i.e., H1), which examines the relation between the stakeholder attributes of power, moral legitimacy and urgency and stakeholder salience. While power and urgency were positively and significantly related to stakeholder salience ($p < 0.001$) for each stakeholder group, moral legitimacy was only significantly and positively related to stakeholder salience for clients

[8] These eleven items were CE1, CE2, CE3, A2, A3, A4, A5, A6, A7, A8 and A9.

($p < 0.001$). Contrary to expectation, the relation between moral legitimacy and salience was significantly negative for government ($p < 0.01$). H1 is therefore partially supported.

<Insert Table 7 here>

To ensure that the non-significance of the coefficients of moral legitimacy in the regressions (other than the regression for clients) is not due to possible multicollinearity, the existence of multicollinearity was further assessed using collinearity diagnostics produced in the regression process. The collinearity diagnostics confirmed that there were no high correlations among the independent variables of power, moral legitimacy and urgency, as indicated by the Variance Inflation Factors (VIF) scores, which were less than ten, and Tolerance scores, which were all above 0.2 (Field, 2009; Lin, 2008).

5.3.3 Moderated regressions

Table 8 shows the results for Model 2, which tests the moderating effects of CEO values (H2 and H3) and stakeholder culture (H4 and H5) on the stakeholder attributes-salience relation. In the use of moderated regression in social science research, considerable attention has been given to the issue of multicollinearity with respect to the independent variables and interaction terms. While it is common practice to center or standardize independent variables before calculating the interaction terms of the variables (Jaccard et al., 1990; Aguinis, 1995; Cronbach, 1987), recent studies suggest that these remedial procedures do not alleviate multicollinearity, which is a model-inherent issue (Echambadi & Hess, 2007; Gatignon & Vosgerau, 2005). Hence, the moderated regression analyses were performed using un-centered data.

Both the significance of the F-statistic for the R-square change (from the main effects model to the moderated regression model) and the significance of the coefficients of the interaction terms are commonly used to assess the presence of interaction (Aguinis, 1995; Jaccard et al., 1990). Table 7 displays the changes in R-square as a result of adding the

moderating variables (i.e., CEO other-regarding values and other-regarding stakeholder culture) and related interaction terms into Model 1. The results show that the additional explanatory power provided by Model 2 was not significant, except for the stakeholder groups of government ($p < 0.05$), volunteers ($p < 0.01$) and members ($p < 0.05$).

As noted under Table 7, only the coefficients relating to the interaction terms of other-regarding stakeholder culture and moral legitimacy (for volunteers and members) were significant ($p < 0.05$). Therefore, these results provide partial support for H5, that is, for the stakeholder groups of volunteers and members, other-regarding stakeholder culture positively moderates the relation between stakeholder moral legitimacy and stakeholder salience. The results do not support H2 and H3 (i.e., relating to the moderating effects of CEO values) or H4 (i.e., relating to the negative moderating effect of other-regarding stakeholder culture on the relation between stakeholder power and stakeholder salience).

<Insert Table 8 here>

6. Discussion and implications

6.1 Who really counts?

This study addresses three related research questions, the first of which is "who are the salient stakeholders in NFPs?". The results show that clients were seen by NFP management as the most salient stakeholder group, followed by government, employees, members, institutional donors, volunteers and individual donors. Woodward and Marshall (2004, p.172) attribute the importance of clients to "a recent trend towards 'client-centric' service amongst NFP organizations". Clients were perceived as the most salient stakeholder group by NFPs in all industries, except those in the industries of business and professional associations and unions, and law, advocacy and politics, which perceived their members as the most important stakeholder group.

In the eyes of management of NFPs surveyed, clients were seen as a powerful stakeholder group whose claims were also seen as the most morally legitimate and urgent. This finding is consistent with prior studies that show that clients are morally legitimate (Palmer, 2013; Cordery & Baskerville, 2011), however, it does not support the view that clients are discretionary stakeholders that lack power or urgency (e.g., Kilby, 2006; Baulderstone, 2007; Cordery & Baskerville, 2011; Palmer, 2013). This finding is attributable to the dominance of NFPs from the health and education industries in this study.

A post-hoc one-way ANOVA was conducted to examine how the mean scores of client power may differ among industries and the result was significant ($F = 3.567$, $p < 0.001$). The mean scores of client power were found to be higher in the environment, law, advocacy and politics, health, education and research, and development and housing industries. This finding supports O'Neill (1992, p.208), who argues that clients in certain NFPs (e.g., clubs, schools, colleges, arts organizations, hospitals, etc.) are "privileged and powerful". Also, Saxton (2005) illustrates that clients in the educational sector possess substantial power and can intensively demand their involvement in an NFP's funding, curriculum, hiring, legislative process, etc.

According to Mitchell et al. (1997), there are three types or forms of power (coercive, utilitarian and normative), depending on the resources that give rise to power. Clients in certain industries (e.g., education and health) are powerful because NFPs can be dependent on them for fees for services, giving clients utilitarian/economic power and greater 'exit' options. On the other hand, NFP clients possess normative power, since they are directly linked with an NFP's mission and NFPs rely on them for legitimacy. Justifying an NFP's existence, clients "have a right to be dealt with incredibly professionally" (Baulderstone, 2007, p.11) and are 'indirectly powerful' (Harvey & Schaefer, 2001). The fact that clients were perceived as most salient and that they may have both utilitarian and normative power supports Parent and Deephouse's (2007, p.15)

contention that "stakeholders that had power based on more than one type were more salient".

Government was considered as the second most salient stakeholder group and it was the most salient funding agent (compared to institutional and individual donors). This naturally follows from the observation that government was perceived as the most powerful stakeholder and its claims were seen as the second most urgent. In this respect, the results shed light on the significant roles that government plays as both regulator and funder in the NFP sector. To assist NFPs with service delivery, government provides a significant amount of financial resources to the sector, evidenced by its direct funding of $25.5 billion in the 2006-2007 year and additional indirect funding through tax exemptions and concessions (Australian Government, 2011). Hence, "government has increasingly become a prominent external stakeholder of non-profit organizations" (Candler & Dumont, 2010, p.260).

Not only is the government the largest funder of NFPs in Australia, it also has the regulatory (coercive) power to impose more restrictive regulation on the sector, and its demands were seen by NFP management to require immediate attention, since NFPs often need to comply with government's requirements within a given timeframe. For instance, regular and immediate reports on how NFPs spend funds have to be submitted to government. NFPs thus need to ensure they satisfy government's expectations in order to sustain funding. It is likely that, due to its high demands, government was perceived as less morally legitimate than the other three salient stakeholder groups (i.e., clients, paid employees and members).

Paid employees' salience was ranked third, supporting Grant Thornton's (2008) findings that the perceived importance of employees by NFPs has increased and that retention and motivation of key staff is one of the most challenging issues faced by the sector. Given

that paid employees are seen as partly 'donating' their labour (Carson, 2002; Lipsky & Smith, 1989; Candler & Dumont, 2010; Brown & Moore, 2001), it is important for NFPs to maintain employee morale and commitment to their organizational mission (Candler & Dumont, 2010).

Members, who are the principal clients in member-serving NFPs and contribute by way of fees and dues,[9] were also perceived as a relatively salient stakeholder group, as shown in Table 2. In particular, they were seen as the most salient stakeholder group in the industries of business and professional associations and unions, and law, advocacy and politics, many of which are membership organizations. Members play a privileged role in those NFPs and they represent the ultimate decision-making body (Woodward & Marshall, 2004; Assad & Goddard, 2010). When members provide critical resources to an NFP, "accountability is often an area in which the members have the upper hand" (Candler & Dumont, 2010, p.263).

Notably, individual donors' claims were not prioritized by NFP management, evidenced by the lowest mean score of their salience. The low salience of individual donors was associated with the low power and urgency they were perceived to possess. As discussed in Section 2.1.1, individual donors, donating less compared to government and intuitional donors, may not independently exert power on NFPs.

Volunteers were considered as the second least salient stakeholder group, despite the fact that they provide considerable input to Australian NFPs, which is evidenced by the $14.6 billion worth of contributions each year (Office for the Not-for-Profit Sector, 2013). The low salience level of volunteers could result from the low mean scores of power and urgency. This finding indicates that although NFPs depend on volunteers for free labour, this resource dependence relationship does not give volunteers power over NFPs. This

[9] Ebrahim (2003, 2010) identifies three types of NFPs: public-serving NFPs, member-serving NFPs, and NFPs that are advocacy networks.

may be because there is a large supply of volunteers in Australia, as evidenced by over six million volunteers each year and an increasing proportion of people contributing to volunteering (Office for the Not-for-Profit Sector, 2013). Overall, the results of this study are consistent with Woodward and Marshall (2004), who found that the majority of NFPs rated members, government and clients as the three most important stakeholders, whilst volunteers were not seen as an important stakeholder group by NFP management.

Also, some comparisons may be made between NFPs and for-profit organizations, as observed by Agle et al. (1999). The mean salience scores reported by Agle et al. (1999) in their for-profit study showed that customers were the most salient stakeholder group, followed by employees, shareholders, government and community. The apparent commonality is that clients (or customers) in both sectors were perceived as the most salient stakeholder group. Nevertheless, the differences in the motives between the two sectors need to be acknowledged for interpretational purposes. Whilst customers in for-profit organizations were perceived as salient mostly due to their direct impact on the profitability bottom line, clients were perceived by NFP management as salient because of their intimate link with an NFP's mission and hence its social bottom line. The similar salience level of employees in both sectors conforms to Collier's (2008) claim that the relationship between an organization and its employees does not differ between the two sectors. Organizations in both sectors recognize the critical role played by employees in the success of an organization (Hill & Jones, 1992; Neville & Menguc, 2006).

One noticeable difference observed between the two sectors was the perceived salience levels of government. While government was seen as the second most salient stakeholder for NFPs, its salience level was ranked after customers, employees and shareholders in for-profit organizations. This is likely caused by the fact that government acts as a regulator only in the for-profit sector, while it is also a significant funder in NFPs. Further,

government funds NFPs indirectly through tax concessions, while the tax it collects from for-profit organizations forms a major stream of government revenue (Moore, 2000).

The results have implications for policy makers in the NFP sector. For policy or legislation to be effective, the complex and diverse accountability relationships that NFPs face need to be appreciated (Cordery & Baskerville, 2011). The difference in the information needs of NFP stakeholders was recognized by the 2008 Australian Senate Inquiry into the disclosure regimes of NFPs (Senate Standing Committee on Economics, 2008), and this recognition should be embedded in further enhancement of the sector's national reporting framework by the Australian Charities and Not-for-profits Commission (ACNC). Palmer (2013, p.13) states that "any reform should design reporting systems to improve accountability to all stakeholders. The needs of a wider body of users need to be addressed". Given that clients were perceived by NFP management as the most salient stakeholder group, information that meets clients' needs should also be incorporated in NFPs' published reports in order to serve the 'report-once, use-often' purpose of NFP reporting espoused by the ACNC (2012).

The results also have implications for NFP management. NFP management should prioritize and direct organizational resources toward salient stakeholders, as failure to address the expectations of salient stakeholders could lead to reduced support from them and, in turn, affect organizational performance (Petrovits et al., 2011). Meanwhile, NFP management should not lose sight of those stakeholders seen at this point in time as less salient or non-salient. Salience is a dynamic concept (Mitchell et al., 1997, p.855). Mitchell et al. (1997) classify three classes of stakeholder in ascending order of salience based on the number of attributes (power, legitimacy and urgency) a stakeholder possesses. 'Latent' stakeholders possess one of the three attributes only; 'expectant' stakeholders possess two attributes; and 'definitive' stakeholders possess all three stakeholder attributes. Mitchell et al. (1997) argue that stakeholders can move from one

class to another over time. For example, individual donors, who were perceived as the least powerful/salient stakeholder group in this study, "may choose to stop donating, or move into the powerful category if they can wield sufficient clout as significant donors" (Cordery & Baskerville, 2011, p.204). Stakeholders may collectively increase their combined salience through interacting, cooperating, and forming alliances with each other (Neville & Menguc, 2006), and "even completely powerless stakeholders can gain power by forming alliances with other stakeholders" (Inglis & Minahan, 2005, p.23).

6.2 What really counts?

The second research question investigates the relation between the stakeholder attributes of power, moral legitimacy and urgency and stakeholder salience. The results show that, overall, only the stakeholder attributes of power and urgency were positively related to stakeholder salience, contrary to the findings in prior for-profit studies that found all three attributes to be related to salience (Agle et al., 1999; Boesso & Kumar, 2009). However, the results support Parent and Deephouse's (2007) finding that the importance of (moral) legitimacy is ranked after power and urgency. This indicates that in the minds of NFP management, power and urgency are the primary drivers of stakeholder salience, across all stakeholder groups. Moral legitimacy was only significantly and positively related to stakeholder salience for clients. Contrary to expectations, government moral legitimacy was negatively related to government salience. This may reflect the view expressed by a number of respondents to the survey that government's claims over NFPs, particularly with respect to reporting requirements, were seen as bureaucratic, burdensome and unreasonable. In this context, the more attention and resources that NFPs have to devote to meeting the mandated requirements, the more bureaucratic and morally illegitimate government's claims are seen.

The finding that, overall, moral legitimacy is not related to stakeholder salience could possibly be explained by two reasons. First, this attribute was measured in a moral sense

and hence it was defined more narrowly than the definition used in prior studies. Prior studies have typically adopted a composite definition of legitimacy, which weakens the distinction between power and legitimacy and results in double counting of power (Neville et al., 2011). Using a composite definition of legitimacy, power and legitimacy are closely linked (de Bussy & Kelly, 2010; Harvey & Schaefer, 2001; Mitchell et al., 1997), explaining Harvey and Schaefer's (2001) finding that powerful stakeholders were also seen as legitimate and the findings of prior studies that detected significance of both power and legitimacy.

Alternatively, this finding may be indicative of differences in managerial perceptions of stakeholder salience between the NFP and for-profit sectors. Agle et al. (2008) note that the idea of 'stakeholder' has 'flourished' in the corporate context in recent years, and that the for-profit sector has gradually started to pay more attention to the non-shareholder stakeholders, such as government, employees and customers, due to increasing societal expectation of socially responsible corporations. Corporations are being held "accountable for meeting their economic goals in socially responsible and ethical ways" (Agle et al., 2008, p.161). Hence, this societal expectation has driven for-profit organizations to recognize the legitimacy of non-shareholders' claims, as evidenced by the shift from a shareholder approach to a stakeholder approach to corporate governance (Brennan & Solomon, 2008). This could have led to the significance of legitimacy in influencing the perception of stakeholder salience in for-profit organizations. In contrast, Donaldson and Preston (1995), Clarkson (1995) and Evan and Freeman (1993) argue that the interests of all stakeholders are 'intrinsic' in nature, and hence moral legitimacy does not drive stakeholder salience. This is especially the case for NFPs, which are grounded intrinsically in the values of altruism, voluntarism and high morality (Dhanani & Connolly, 2012), and therefore moral legitimacy does not exert additional influence on stakeholder salience.

Rather, the way in which NFP management prioritizes stakeholders may be similar to public sector practices. NFPs may desire to prioritize the claims of all morally legitimate stakeholders; however, stakeholders with power and urgency "merit special considerations" (Jones et al., 2007, p.151) and hence their interests take precedence over those of morally legitimate stakeholders. This is the finding in de Bussy and Kelly (2010), who examine Mitchell et al.'s (1997) framework in a public political context. They (de Bussy and Kelly, 2010) argue that while legitimacy is the base for politicians to identify stakeholders in the public sector, it is power and urgency that really matter in practice as to whom politicians pay attention, reflecting a 'normative/descriptive divide'. Similar to stakeholder management in the public sector, NFP management has to pay more attention to powerful stakeholders (rather than morally legitimate stakeholders), since these stakeholders' claims can affect organizational survival.

The findings of 'what really counts' have two important theoretical implications. First, Mitchell et al.'s (1997) propositions of the relation between the three stakeholder attributes and salience apply, overall, to the NFP context, given that the attributes of stakeholder power and urgency were found to be positively related to stakeholder salience. Second, the role of moral legitimacy in the NFP context is more similar to the public sector (de Bussy & Kelly, 2010) than to the for-profit setting (Agle et al., 1999); that is, moral legitimacy may be relevant for identifying stakeholders, but not so relevant for determining stakeholder salience. Thus, the findings of this study support Moore's (2000) argument that the dissimilarity between for-profit organizations and NFPs is wider than that between government organizations and NFPs, which, for some purposes, can be combined and collectively called 'public sector' organizations. The kinship between the two sectors is due to the similarity in revenue generation and organizational values, which are generally not based on profitability (Moore, 2000). Moore (2000, p.183) states that the substantive vision (of government organizations and NFPs) is "usually described in terms

of the mission of the organization and the particular activities it undertakes in the pursuit of the mission".

A key practical implication of the results for NFP management is that management should accurately assess stakeholder attributes (especially stakeholder power and the urgency of stakeholder claims), so that they can determine stakeholder salience and, subsequently, the proper allocation of attention and organizational resources for different stakeholder groups. Neville et al. (2011) and Cordery and Baskerville (2011) emphasize that failure to correctly evaluate stakeholder salience would result in financial and reputational losses to an organization, since stakeholders assess an NFP organization's performance based on how they are treated by the organization and how well their expectations are satisfied (Balser & McClusky, 2005; Herman & Renz, 2004; Collier, 2008). NFP management can utilize Mitchell et al.'s (1997) stakeholder salience framework, which is 'simple and coherent' (Gifford, 2010), to conduct stakeholder analyses that will provide guidance for strategy formulation and implementation.

6.3 Moderating effects of CEO values and stakeholder culture

The third research question examines the moderating effects of CEO values and stakeholder culture on the attributes-salience relation. While Agle et al.'s (1999) findings provided partial support for the moderating role of CEO values (for employees and customers), the results in this study provide no evidence of its moderating effects in the NFP context. On the other hand, stakeholder culture has a moderating effect on the attribute-salience relation for some stakeholder groups (volunteers and members) in that other-regarding stakeholder culture was found to increase the salience of morally legitimate stakeholders. The results provide partial support for Jones et al.'s (2007) proposition of the moderating effect of stakeholder culture, that is, for other-regarding stakeholder culture, (moral) legitimacy is a primary attribute that drives stakeholder salience. The negative moderating effect of other-regarding stakeholder culture on the

relation between stakeholder power and stakeholder salience was not supported. These results indicate that only the assessment of the stakeholder attribute of moral legitimacy is influenced by an organization's ethical beliefs. Hence, the results give credence to Neville et al.'s (2011) claim that moral legitimacy is built on the premise of moral philosophy and ethical decision making.

7. Conclusion, limitations and suggestions for future research

This study is motivated by the importance of stakeholder analyses (i.e., identifying and prioritizing stakeholders) in stakeholder management and improvement of accountability in NFPs. It fills the void in the NFP literature by empirically examining, on a large scale, who (which stakeholders) and what (stakeholder attributes) really count in NFPs. Further, the study tests the moderating effect of CEO values (Agle et al., 1999) and stakeholder culture (Jones et al., 2007) on the attributes-salience relation.

The results support the application of Mitchell et al.'s (1997) stakeholder salience framework in the NFP context, strengthening support for the framework as a useful management tool in NFPs. The results indicated that clients were the most salient stakeholder group for NFPs. Among the three funding agents, government was more salient than institutional donors and individual donors. Also, it was concluded that the attributes of power and urgency were significantly and positively related to stakeholder salience, while moral legitimacy overall was not associated with stakeholder salience. The organizational-level factor of stakeholder culture was a more significant moderator for the attributes-salience relation than the individual-level factor of CEO values and its moderating role was found for the stakeholder groups of volunteers and members.

The 'stake' of stakeholders comes in different sizes (Hill & Jones, 1992, p.133), and hence "stakeholders vary in their importance to the organization" (Savage et al., 2004, p.390). NFPs' top management, positioned at the center of the nexus between the organization and its stakeholders (Hill & Jones, 1992; Mitchell et al., 1997; Collier, 2008; Agle et al.,

1999), needs to assess the salience of each identified stakeholder, and prioritize their claims strategically. Stakeholder salience would be the starting point that guides NFPs in resource allocation among stakeholder groups, which will improve stakeholder satisfaction and organizational performance. Given that clients were perceived as the most salient stakeholder group in NFPs, their accountability needs and expectations need to be further incorporated into NFP's strategic planning and in future regulatory reforms for the sector.

Four limitations of the study are outlined. First, this study used a pre-specified list of stakeholders. Although this list comprised stakeholders that are commonly described as stakeholders in the NFP literature, the list might have potentially omitted others that are also seen as stakeholders by some NFPs. Stakeholders vary across organizations (Barrett, 2001) and future research can interview and ask NFP management to identify stakeholders based on their perceptions of the presence or absence of power, moral legitimacy, and urgency.

Second, similar to Gifford (2010), future research can extend the current study by further analyzing the three forms of power defined by Mitchell et al. (2007), that is, coercive, utilitarian and normative power. While Parent and Deephouse (2007) found utilitarian power to be the most influential in affecting stakeholder salience in two sporting event organizing committees, future research could examine which form of power is the most influential in determining stakeholder salience in other types of NFPs.

Third, an extension could be made to test the relation between stakeholder salience and an organization's financial and social performance, as suggested by Ullmann (1995) and Clarkson (1995). Agle et al. (1999) examined this relation in the for-profit setting by utilizing financial data and social performance data provided by the Kinder, Lydenberg, Domini, and Company (KLD) database. Such a relation could also be examined in NFPs

by utilizing financial data provided in NFPs' annual reports and social performance data via self-reported measures.

Another area for future research is to disentangle the dual roles of government as funder and regulator in the NFP sector. Future studies can split government's roles (Flack, 2007) and examine in what capacity government is seen as more powerful, morally legitimate and urgent and therefore more salient.

Last, a self-administered survey questionnaire was used to collect the data and, as such, the study is subject to the general limitations of the survey method, one of which is that it only gathers information at a point in time. Hence, the survey cannot capture the dynamic nature of stakeholder salience, which changes over time (Mitchell et al., 1997; Parent & Deephouse, 2007; Hsieh, 2010). Future studies could use longitudinal case studies to investigate how stakeholder attributes and stakeholder salience evolve over time (Winn & Keller, 2001; Jeurissen, 2004).

References

Agle, B. R., Donaldson, T., Freeman, R. E., Jensen, M. C., Mitchell, R. K. and Wood, D. J. (2008), "Dialogue: Toward superior stakeholder theory", *Business Ethics Quarterly*, Vol. 18 No. 2, pp. 153-190.

Agle, B. R., Mitchell, R. K. and Sonnenfeld, J. A. (1999), "Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values", *Academy of Management Journal*, Vol. 42 No. 5, pp. 507-525.

Aguinis, H. (1995), "Statistical power with moderated multiple regression in management research", *Journal of Management*, Vol. 21 No. 6, pp. 1141-1158.

Assad, M. J. and Goddard, A. R. (2010), "Stakeholder salience and accounting practices in Tanzanian NGOs", *International Journal of Public Sector Management*, Vol. 23 No. 3, pp. 276 – 299.

Australian Charities and Not-for-Profits Commission (2012), "Factsheet - developing a reporting framework (report-once, use-often)", available at: http://acnctaskforce.treasury.gov.au/content/publications/factsheets/downloads/Reporting_fact_sheet.pdf (accessed 30 December 2012).

Australian Government (2011), "Australian Charities and Not-for-profits Commission implementation taskforce" Commonwealth of Australia, available at: http://acnctaskforce.treasury.gov.au/content/Content.aspx?doc=about.htm (accessed 2 March 2012).

Balser, D. and McClusky, J. (2005), "Managing stakeholder relationships and nonprofit organization effectiveness", *Nonprofit Management & Leadership*, Vol. 15 No. 3, pp. 295-315.

Barrett, M. (2001), "A stakeholder approach to responsiveness and accountability in non-profit organizations", *Social Policy Journal of New Zealand*, Vol. 17, pp. 36-51.

Baulderstone, J. (2007), "Accountability to service users: Rhetoric or reality?", *Third Sector Review*, Vol. 13 No. 1, pp. 9-19.

Benson, B. W. and Davidson, W. N. (2010), "The relation between stakeholder management, firm value, and CEO compensation: A test of enlightened value maximization", *Financial Management*, Vol. 39 No. 3, pp. 929-964.

Boesso, G. and Kumar, K. (2009), "Stakeholder prioritization and reporting: Evidence from Italy and the US", *Accounting Forum*, Vol. 33 No. 2, pp. 162-175.

Boesso, G. and Michelon, G. (2010), "The effects of stakeholder prioritization on corporate financial performance: An empirical investigation", *International Journal of Management*, Vol. 27 No. 3, pp. 470-496.

Bouckaert, L. and Vandenhove, J. (1998), "Business ethics and the management of non-profit institutions", *Journal of Business Ethics*, Vol. 17 No. 9-10, pp. 1073-1081.

Brandl, J. and Güttel, W. (2007), "Organizational antecedents of pay-for-performance systems in nonprofit organizations", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 18 No. 2, pp. 176-199.

Brennan, N. M. and Solomon, J. (2008), "Corporate governance, accountability and mechanisms of accountability: An overview", *Accounting, Auditing & Accountability Journal*, Vol. 21 No. 7, pp. 885 - 906.

Brown, L. D. and Moore, M. H. (2001), "Accountability, strategy, and international nongovernmental organizations", *Nonprofit and Voluntary Sector Quarterly*, Vol. 30 No. 3, pp. 569-587.

Bruce, I. (1995), "Do not-for-profits value their customers and their needs?", *International Marketing Review*, Vol. 12 No.4, pp. 77-84.

Bryson, J. M. (2004), "What to do when stakeholders matter", *Public Management Review*, Vol. 6 No. 4, pp. 21-53.

Buchanan, S. and Bradshaw , P. (2012), "The voice from outside: Stakeholder resistance in nonprofit organizations", *Nonprofit Quarterly*, available online at: http://www.nonprofitquarterly.org/index.php?option=com_content&view=article&id=18291:the-voice-from-outside-stakeholder-resistance-in-nonprofit-organizations&catid=153:features&Itemid=336 (accessed 20 December 2012).

Buysse, K. and Verbeke, A. (2003), "Proactive environmental strategies: A stakeholder management perspective", *Strategic Management Journal*, Vol. 24 No. 5, pp. 453-470.

Candler, G. and Dumont, G. (2010), "A non-profit accountability framework", *Canadian Public Administration*, Vol. 53 No. 2, pp. 259-279.

Carroll, G. R. and Hannan, M. T. (1989), "Density delay in the evolution of organizational populations: A model and five empirical tests", *Administrative Science Quarterly*, Vol. 34 No. 3, pp. 411-430.

Carson, E. D. (2002), "Public expectations and nonprofit sector realities: A growing divide with disastrous consequences", *Nonprofit and Voluntary Sector Quarterly*, Vol. 31 No. 3, pp. 429-436.

Chang, S.-J., van Witteloostuijn, A. and Eden, L. (2010), "From the editors: Common method variance in international business research", *Journal of International Business Studies*, Vol. 41, pp. 178–184.

Chung, T. K. J., Harrison, G. L. and Reeve, R. C. (2009). "Interdependencies in organization design: A test in universities." *Journal of Management Accounting Research*, Vol. 21 No. 1, pp. 55-73.

Clarkson, M. E. (1995), "A stakeholder framework for analyzing and evaluating corporate social performance", *Academy of Management Review*, Vol. 20 No. 1, pp. 92-117.

Cohen, J. and Cohen, P. (1983), *Applied Multiple Regression/Correlation Analysis for the Behavioural Sciences*, Hillsdale, NJ: Lawrence Erlbaum Associates.

Collier, P. M. (2008), "Stakeholder accountability", *Accounting, Auditing & Accountability Journal*, Vol. 21 No. 7, pp. 933-954.

Cordery, C. and Baskerville, R. (2005), "Hegemony, stakeholder salience and the construction of accountability in the charity sector", Working Paper Series, School of Accounting and Commercial Law, Victoria University of Wellington, Wellington.

Cordery, C. and Baskerville, R. (2011), "Charity transgressions, trust and accountability", *Voluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 22 No. 2, pp. 197-213.

Costa, E., Ramus, T. and Andreaus, M. (2011), "Accountability as a managerial tool in non-profit organizations: Evidence from Italian CSVs", *Voluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 22 No. 3, pp. 470-493.

Cronbach, L. J. (1987), "Statistical tests for moderator variables: Flaws in analyses recently proposed", *Psychological Bulletin,* Vol. 102 No.3, pp. 414-417.

Cummings, L. S. and Guthrie, J. (2007), "Managerial attitudes toward stakeholder salience within selected western Pacific-Rim economies", *Journal of Asia-Pacific Business,* Vol. 8 No. 1, pp. 7-29.

Cummings, L. S. and Patel, C. (2009), Chapter 4 Development and Stakeholder Prominence, in Cummings, L.S. and Patel C. (Eds), *Managerial Attitudes toward a Stakeholder Prominence within a South-East Asia Context*, United Kingdom: Emerald Group Publishing, pp. 89-112.

Dartington, T. (1998), "From altruism to action: Primary task and the not-for-profit organization", *Human Relations,* Vol. 51 No. 12, pp. 1477-1493.

Davison, J. (2007), "Photographs and accountability: Cracking the codes of an NGO", *Accounting, Auditing & Accountability Journal,* Vol. 20 No. 1, pp. 133-158.

de Bussy, N. M. and Kelly, L. (2010), "Stakeholders, politics and power: Towards an understanding of stakeholder identification and salience in government", *Journal of Communication Management,* Vol. 14 No. 4, pp. 289-305.

Dhanani, A. and Connolly, C. (2012), "Discharging not-for-profit accountability: UK charties and public discourse", *Accounting, Auditing & Accountability Journal,* Vol. 25 No. 7, pp. 1140-1169.

Dillman, D. A., Smyth, J. D. and Christian, L. M. (2008), *Internet, Mail and Mixed-mode Surveys: The Tailored Design Method,* Hoboken, NJ: Wiley.

DiMaggio, P. J. and Powell, W. W. (1983), "The iron cage revisited: Institutional isomorphism and collective rationality in organization fields", *American Sociological Review,* Vol. 48 No. 2, pp. 147-160.

Donaldson, T. and Preston, L. E. (1995), "The stakeholder theory of the corporation: Concepts, evidence, and implications", *The Academy of Management Review,* Vol. 20 No. 1, pp. 65-91.

Drucker, P. F. (1992), *Managing the Non-profit Organization: Practices and Principles,* Oxford: Butterworth-Heinemann.

Dunfee, T. W. (2008), "Stakeholder Theory: Managing Corporate Social Responsibility in a Multiple Actor Context", in Crane, A., Mcwilliams, A., Matten, D., Moon, J. & Siegel, D. (Eds), *The Oxford Handbook of Corporate Social Responsibility,* New York, NY: Oxford University Press, pp. 346-362.

Ebrahim, A. (2003), "Accountability in practice: Mechanisms for NGOs", *World Development,* Vol. 31 No. 5, pp. 813-829.

Ebrahim, A. (2010), "The many faces of nonprofit accountability", Working Paper, Harvard Business School, Boston, MA.

Echambadi, R. and Hess, J. D. (2007), "Mean-centering does not alleviate collinearity problems in moderated multiple regression models", *Marketing Science,* Vol. 26 No. 3, pp. 438-445.

Edwards, M. and Hulme, D. (1996), "Too close for comfort? The impact of official aid on nongovernmental organizations", *World Development,* Vol. 24 No. 6, pp. 961-973.

Eesley, C. and Lenox, M. J. (2006), "Firm responses to secondary stakeholder action", *Strategic Management Journal,* Vol. 27 No. 8, pp. 765-781.

Etzioni, A. (1964), *Modern Organizations,* Englewood Cliffs, NJ: Prentice-Hall.

Evan, W. F. and Freeman, R.E. (1993), "Stakeholder Theory of the Modern Corporation: Kantian Capitalism", in Beauchamp, T. and Bowie, N. (Eds), *Ethical Theory and Business,* Englewood Cliffs, NJ: Prentice-Hall, pp.75-93.

Field, A. (2009), *Discovering Stastistics Using SPSS,* London: SAGE.

Fineman, S. and Clarke, K. (1996), "Green stakeholders: Industry interpretations and response", *Journal of Management Studies,* Vol. 33 No. 6, pp. 715-730.

Fisher, R. J. (1993), "Social desirability bias and the validity of indirect questioning", *Journal of Consumer Research,* Vol. 20 No. 2, pp. 303-315.

Freeman, R. E. (1984), *Strategic Management: A Stakeholder Approach,* Boston, MA: Pitman.

Frooman, J. (1999), "Stakeholder influence strategies", *The Academy of Management Review,* Vol. 24 No. 2, pp. 191-205.

Gatignon, H. and Vosgerau, J. (2005), "Moderating effects: The myth of mean centering", Working Paper, INSEAD, Cedex.

Gifford, E. (2010), "Effective shareholder engagement: The factors that contribute to shareholder salience", *Journal of Business Ethics,* Vol. 92 No.1, pp. 79-97.

Glasberg, A. L., Eriksson, S. and Norberg, A. (2007), "Burnout and 'stress of conscience' among healthcare personnel", *Journal of Advanced Nursing,* Vol. 57 No. 4, pp. 392-403.

Grant Thornton (2008), "Take a Fresh Look at Some of the Not for profit Issues Currently Affecting the Sector", Grant Thornton Not-for-Profit Survey 2007/2008, Grant Thornton New Zealand.

Gurd, B. (2013), “Rising accountability of Australian non-government schools”, *Public Money & Management,* Vol. 33 No. 6, pp. 415-420.

Gugerty, M. K., Sidel, M. and Bies, A. L. (2010), "Introduction to minisymposium: Nonprofit self-regulation in comparative perspective-themes and debates", *Nonprofit and Voluntary Sector Quarterly,* Vol. 39 No. 6, pp. 1027-1038.

Harman, H. H. (1967), *Modern Factor Analysis,* Chicago, IL: University of Chicago Press.

Harrison, J. S., Bosse, D. A. and Phillips, R. A. (2010), "Managing for stakeholders, stakeholder utility functions, and competitive advantage", *Strategic Management Journal,* Vol. 31 No. 1, pp. 58-74.

Harrison, J. S. and Freeman, R. E. (1999), "Stakeholders, social responsibility, and performance: Empirical evidence and theoretical perspectives", *Academy of Management Journal,* Vol. 42 No. 5, pp. 479-485.

Harvey, B. and Schaefer, A. (2001), "Managing relationships with environmental stakeholders: A study of U.K. water and electricity utilities", *Journal of Business Ethics,* Vol. 30 No. 3, pp. 243-260.

Herman, R. D. and Renz, D. O. (2004), "Doing things right: Effectiveness in local nonprofit organizations, A panel study", *Public Administration Review,* Vol. 64 No. 6, pp. 694-704.

Hill, C. and Crombie, N. (2010), "Accountability to stakeholders in a student-managed organization", *The Sixth Asia Pacific Interdisciplinary Research in Accounting (APIRA) Conference,* The University of Sydney, Sydney, Australia.

Hill, C. W. L. and Jones, T. M. (1992), "Stakeholder-agency theory", *Journal of Management Studies,* Vol. 29 No. 2, pp. 131-154.

Hinkin, T. R. (1995), “A review of scale development practices in the study of organizations”, *Journal of Management,* Vol. 21 No. 5, pp. 967-988.

Hinkin, T. R., Tracey, J. B., and Enz, C. A. (1997), “Scale construction: Developing reliable and valid measurement instruments”, *Journal of Hospitality & Tourism Research,* Vol. 21 No. 1, pp. 100-120.

Hsieh, J. (2010), "Strategic stakeholder orientations and performance consequences - a case of private nonprofit performing arts in the US", *International Journal of Nonprofit & Voluntary Sector Marketing,* Vol. 15 No. 1, pp. 13-27.

Inglis, L. and Minahan, S. (2005), "Stakeholders and strategic planning in non-profit organizations: Case studies in complexity and conflict", *Third Sector Review,* Vol. 11 No. 2, pp. 17-34.

Jaccard, J., Wan, C. K. and Turrisi, R. (1990), "The detection and interpretation of interaction effects between continuous variables in multiple regression", *Multivariate Behavioural Research,* Vol. 25 No. 4, pp. 467-478.

Jacobs, A. and Wilford, R. (2010), "Listen first: A pilot system for managing downward accountability in NGOs", *Development in Practice,* Vol. 20 No. 7, pp. 797-811.

Jawahar, I. M. and McLaughlin, G. L. (2001), "Toward a descriptive stakeholder theory: An organizational life cycle approach", *Academy of Management Review,* Vol. 26 No. 3, pp. 397-414.

Jensen, M. and Meckling, W. (1976), "Theory of the firm: Managerial behaviour, agency costs, and ownership structure", *Journal of Financial Economics,* Vol. 3, pp. 305 - 360.

Jeurissen, R. (2004), "Institutional conditions of corporate citizenship", *Journal of Business Ethics,* Vol. 53 No. 1/2, pp. 87-96.

Jones, T. M., Felps, W. and Bigley, G. A. (2007), "Ethical theory and stakeholder-related decisions: The role of stakeholder culture", *Academy of Management Review,* Vol. 32 No. 1, pp. 137-155.

Kaptein, M. (2008), "Developing and testing a measure for the ethical culture of organizations: The corporate ethical virtues model', *Journal of Organizational Behaviour,* Vol. 29 No. 7, pp. 923-947.

Karatepe, O. M. and Aleshinloye, K. D. (2009), "Emotional dissonance and emotional exhaustion among hotel employees in Nigeria", *International Journal of Hospitality Management,* Vol. 28 No. 3, pp. 349-358.

Keating, E. K. and Frumkin, P. (2003), "Reengineering nonprofit financial accountability: Toward a more reliable foundation for regulation", *Public Administration Review,* Vol. 63 No. 1, pp. 3-15.

Kilby, P. (2006), "Accountability for empowerment: Dilemmas facing non-governmental organizations", *World Development,* Vol. 34 No. 6, pp. 951-963.

Knox, S. and Gruar, C. (2007), "The application of stakeholder theory to relationship marketing strategy development in a non-profit organization", *Journal of Business Ethics,* Vol. 75 No. 2, pp. 115-135.

Laplume, A. O., Sonpar, K. and Litz, R. A. (2008), "Stakeholder theory: Reviewing a theory that moves us", *Journal of Management,* Vol. 34 No. 6, pp. 1152-1189.

LeRoux, K. (2009), "Managing stakeholder demands: Balancing responsiveness to clients and funding agents in nonprofit social service organizations", *Administration & Society,* Vol. 41 No. 2, pp. 158-184.

Lin, F.-J. (2008), "Solving multicollinearity in the process of fitting regression model using the nested estimate procedure", *Quality & Quantity,* Vol. 42 No. 3, pp. 417-426.

Lin, W. (2010), "Nonprofit Revenue Diversification and Organizational Performance: An Empirical Study of New Jersey Human Services and Community Improvement Organizations", Unpublished PhD thesis, The State University of New Jersey, Newark.

Lipsky, M. and Smith, S. R. (1989), "Nonprofit organizations, government, and the welfare state", *Political Science Quarterly,* Vol. 104 No. 4, pp. 625-648.

Lloyd, R. and de las Casas, L. (2005), *NGO Self-regulation: Enforcing and Balancing Accountability*, One World Trust, London.

Lloyd, R., Warren, S. and Hammer, M. (2008), *2008 Global Accountability Report*, One World Trust, London.

Magness, V. (2008), "Who are the stakeholders now? An empirical examination of the Mitchell, Agle, and Wood theory of stakeholder salience", *Journal of Business Ethics*, Vol. 83 No. 2, pp. 177-192.

Marenakos, L. (2011), *Accountability Matters*, Blackbaud, Charleston, SC.

Mitchell, R. K. and Agle, B. R. (1997), "Stakeholder identification and salience: Dialogue and operationalization", in Weber, J. and Rehbine, K. (Eds), *International association for business and society 1997 proceedings*, *in Destin, Florida*, 199*7*, pp. 365-370.

Mitchell, R. K., Agle, B. R., Chrisman, J. J. and Spence, L. J. (2011), "Toward a theory of stakeholder salience in family firms", *Business Ethics Quarterly*, Vol. 21 No. 2, pp. 235-255.

Mitchell, R. K., Agle, B. R. and Wood, D. J. (1997), "Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts", *Academy of Management Review*, Vol. 22 No. 4, pp. 853-886.

Moore, M. H. (2000), "Managing for value: Organizational strategy in for-profit, nonprofit, and governmental organizations", *Nonprofit and Voluntary Sector Quarterly*, Vol. 29 No. 1, pp. 183-208.

Murtaza, N. (2012), "Putting the last first: The case for community-focused and peer-managed NGO accountability mechanisms", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 23 No. 1, pp. 109-125.

Najam, A. (1996), "NGO accountability: A conceptual framework", *Development Policy Review*, Vol. 14 No. 4, pp. 339-354.

Nederhof, A. J. (1985), "Methods of coping with social desirability bias: A review", *European Journal of Social Psychology*, Vol. 15 No. 3, pp. 263-280.

Neville, B., Bell, S. and Whitwell, G. (2011), "Stakeholder salience revisited: Refining, redefining, and refueling an underdeveloped conceptual tool", *Journal of Business Ethics*, Vol. 102 No. 3, pp. 357-378.

Neville, B. and Menguc, B. (2006), "Stakeholder multiplicity: Toward an understanding of the interactions between stakeholders", *Journal of Business Ethics*, Vol. 66 No. 4, pp. 377-391.

O'Dwyer, B. and Unerman, J. (2008), "The paradox of greater NGO accountability: A case study of Amnesty Ireland", *Accounting, Organizations and Society*, Vol. 33 No. 7/8, pp. 801-824.

O'Higgins, E. R. E. and Morgan, J. W. (2006), "Stakeholder salience and engagement in political organizations: Who and what really counts?", *Society and Business Review*, Vol. 1 No. 1, pp. 62-76.

Office for the Not-for-Profit Sector (2013), "Volunteering", available at: http://www.notforprofit.gov.au/volunteering (accessed 30 September 2013).

O'Neill, M. (1992), "Ethical dimensions of nonprofit administration", *Nonprofit Management and Leadership,* Vol. 3 No. 2, pp. 199-213.

Oster, S., M. (1995), *Strategic Management for Nonprofit Organizations: Theory and Cases,* New York, NY: Oxford University Press.

Our Community (2010), "Identifying your stakeholders", available at: http://www.ourcommunity.com.au/boards/boards_article.jsp?articleId=1792 (accessed 16 May 2010).

Palmer, P.D. (2013), "Exploring attitudes to financial reporting in the Australian not-for-profit sector", *Accounting & Finance*, Vol. 53 No. 1, pp.217-241.

Parent, M. and Deephouse, D. (2007), "A case study of stakeholder identification and prioritization by managers", *Journal of Business Ethics*, Vol. 75 No. 1, pp. 1-23.

Petrovits, C., Shakespeare, C. and Shih, A. (2011), "The causes and consequences of internal control problems in nonprofit organizations", *Accounting Review*, Vol. 86 No. 1, pp. 325-357.

Pfeffer, J. (1981), *Power in Organizations*, Marshfield, MA: Pitman.

Pfeffer, J. and Salancik, G. R. (1978), *The External Control of Organizations: A Resource Dependence Perspective,* New York, NY: Harper & Row.

Phillips, R. (2003). *Stakeholder Theory and Organization Ethics*. San Francisco, CA: Berret-Koehler.

Podsakoff, P. M., MacKenzie, S. B., Lee, J.-Y. and Podsakoff, N. P. (2003), "Common method biases in behavioural research: A critical review of the literature and recommended remedies", *Journal of Applied Psychology*, Vol. 88 No. 5, pp. 879-903.

Productivity Commission. (2010), *Contribution of the Not-for-Profit Sector*, Commissioned study, Productivity Commission, Australian Government, Canberra.

Reynolds, S., Schultz, F. and Hekman, D. (2006), "Stakeholder theory and managerial decision-making: Constraints and implications of balancing stakeholder interests", *Journal of Business Ethics*, Vol. 64 No. 3, pp. 285-301.

Ritchie, W. J., Kolodinsky, R. W. and Eastwood, K. (2007), "Does executive intuition matter? An empirical analysis of its relationship with nonprofit organization financial performance", *Nonprofit and Voluntary Sector Quarterly,* Vol. 36 No. 1, pp. 140-155.

Roberts, E. S. (1999), "In defence of the survey method: An illustration from a study of user information satisfaction", *Accounting & Finance*, Vol. 39 No. 1, pp. 53-79.

Roberts, R. W. (1992), "Determinants of corporate social responsibility disclosure: An application of stakeholder theory", *Accounting, Organizations and Society,* Vol. 17 No. 6, pp. 595-612.

Rokeach, M. (1972), *Beliefs, Attitudes, and Values: A Theory of Organization and Change,* San Francisco, CA: Jossey-Bass.

Rubin, P. H. (1990), *Managing Business Transactions,* New York: Free Press.

Savage, G. T., Dunkin, J. W. and Ford, D. M. (2004), "Responding to a crisis: A stakeholder analysis of community health organizations", *Journal of Health & Human Services Administration,* Vol. 26 No. 4, pp. 383-414.

Saxton, G. D. (2005), "The participatory revolution in nonprofit management: The emerging participatory society and its implications for nonprofit organization, governance, and management", *The Public Manager,* Vol. 34, April, pp. 34-39.

Saxton, G. D. and Guo, C. (2011), "Accountability online: Understanding the web-based accountability practices of nonprofit organizations", *Nonprofit and Voluntary Sector Quarterly,* Vol. 40 No. 2, pp. 270-295.

Senate Standing Committee on Economics. (2008), *Disclosure Regimes for Charities and Not-for-profit Organizations,* The Senate, Commonwealth of Australia, Canberra.

Sinclair, R., Hooper, K. and Ayoub, S. (2010), "Perspectives of accountability in charities", Working Paper, Department of Accounting, AUT University, Auckland.

Strickland, R. A. and Vaughan, S. K. (2008), "The hierarchy of ethical values in nonprofit organizations: A framework for an ethical, self-actualized organizational culture", *Public Integrity,* Vol. 10 No. 3, pp. 233-251.

Suchman, M. C. (1995), "Managing legitimacy: Strategic and institutional approaches", *The Academy of Management Review,* Vol. 20 No. 3, pp. 571-610.

Tabachnick, B. G. and Fidell, L. S. (2001), *Using Multivariate Statistics,* Boston, MA: Allyn and Bacon.

Ullmann, A. A. (1995), "Data in search of a theory: A critical examination of the relationship among social performance, social disclosure, and economic performance of U.S. Firms", *Academy of Management Review,* Vol. 10 No. 3, pp. 540-557.

Van der Stede, W. A., Young, S. M. and Chen, C. X. (2005), "Assessing the quality of evidence in empirical management accounting research: The case of survey studies", *Accounting, Organizations and Society,* Vol. 30 No. 7–8, pp. 655-684.

Weerawardena, J., McDonald, R. E. and Mort, G. S. (2010), "Sustainability of nonprofit organizations: An empirical investigation", *Journal of World Business,* Vol. 45 No. 4, pp. 346-356.

Wellens, L. and Jegers, M. (2011), "Beneficiaries' participation in nonprofit organizations: A theory-based approach", *Public Money & Management,* Vol. 31 No. 3, pp. 175-182.

Winn, M. I. (2001), "Building stakeholder theory with a decision modeling methodology", *Business & Society,* Vol. 40 No. 2, pp. 133-166.

Winn, M. I. and Keller, L. R. (2001), "A modeling methodology for multiobjective multistakeholder decisions – implications for research", *Journal of Management Inquiry,* Vol. 10 No. 2, pp. 166–181.

Wolfe, R. A. and Putler, D. S. (2002), "How tight are the ties that bind stakeholder groups?", *Organization Science*, Vol. 13 No. 1, pp. 64-80.

Woodward, S. and Marshall, S. (2004), "A better framework: Reforming not-for-profit regulation", Public Law Research Paper No. 70, Centre for Corporate Law and Securities Regulation, University of Melbourne, Melbourne, Victoria.

Appendix A Stakeholders identified in prior studies

Stakeholders	Parent & Deephouse (2007)	Cordery & Baskerville (2011)	Ebrahim (2003)	Marenakos (2011)	LeRoux (2009)	Hsieh (2010)	Knox & Gruar (2007)	Balser & McClusky (2005)	Costa et al. (2011)	Gugerty et al. (2010)	Buchanan & Bradshaw (2012)
Government	√	√	√	√	√	√		√	√	√	
Corporate donors			√	√	√	√		√	√	√	√
Foundations			√	√	√	√		√	√	√	√
Individual donors		√	√	√	√	√	√	√	√		√
Employees		√				√				√	
Volunteers				√		√	√	√		√	
Members						√					√
Beneficiaries/clients			√	√	√	√	√	√			√
Governing body		√	√			√				√	
Creditors		√									
Peer NFPs						√	√		√		
Competitors						√					
Suppliers											
The public	√	√	√	√		√	√			√	√
Media	√					√					
Others	√					√	Grant recipients, influencers, prospects, expert audiences, CRM partners		√		

Stakeholders	Bouckaert & Vandenhove (1998)	Hill & Crombie (2010)	Oster (1995)	Lin (2010)	Najam (1996)	Keating & Frumkin (2003)	Dartington (1998)	Strickland & Vaughan (2008)	Kilby (2006)	Collier (2008)	Candler & Dumont (2010)	Our community (2010)	Lloyd (2005)
Government	√	√		√	√	√	√	√	√	√	√	√	√
Corporate donors	√			√	√	√	√	√	√			√	√
Foundations	√			√	√	√	√	√	√			√	√
Individual donors	√	√	√	√	√	√	√	√	√		√	√	√
Employees		√	√				√	√		√	√	√	√
Volunteers		√	√				√	√				√	
Members								√			√	√	
Beneficiaries/clients	√	√	√		√	√	√	√	√	√	√	√	√
Governing body							√					√	
Creditors						√							
Peer NFPs											√	√	√
Competitors													
Suppliers										√			
The public			√								√	√	
Media											√		
Others					Them-selves			Contract managers			Constituents		

Appendix B Questions on stakeholder attributes and stakeholder salience

For all relevant *stakeholder groups*, rate the following five statements based on your organization's interactions with them in the last 12 months. If any stakeholder group is not relevant, leave the stakeholder column BLANK. For each relevant stakeholder group, please circle the appropriate number as indicated on the scale below for each statement. Definitions of powerful, morally legitimate, and urgent are provided under the table.

1	2	3	4	5	6	7
Strongly Disagree	Disagree	Slightly Disagree	Neutral	Slightly Agree	Agree	Strongly Agree

Statements	*Government*	*Corporate /Foundation donors*	*Individual donors*	*Paid employees*	*Volunteers*	*Beneficiaries /clients*	*Members*
This stakeholder group was powerful.	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*
The claims (i.e., demands or desires) of this stakeholder group were viewed by our management as morally legitimate.	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*
The claims of this stakeholder group were viewed by our management as urgent.	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*
Our organization has spent a high level of discretionary resources satisfying this stakeholder group's claims.	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*
Our organization has spent a great amount of time thinking about or acting on this stakeholder group's claims.	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*

Definitions	**Powerful:** able to apply a high level of direct economic reward or punishment and/or coercive or physical force and/or positive or negative social influence to obtain its will **Morally legitimate:** desirable or appropriate; intrinsically right and proper **Urgent:** requiring immediate attention; pressing and important

Appendix C Stakeholder culture scale items

Stakeholder culture	Code	Scale items	Literature source
Corporate Egoist	CE1	Our organization tends to do anything to further its own interest, regardless of the consequences for its stakeholders.	Victor & Cullen (1988)
	CE2	Work is considered below standard only when it harms the organization's interest.	Victor & Cullen (1988)
	CE3	Our organization's interest overrides all other considerations.	Victor & Cullen (1988)
	CE4	Decisions are primarily viewed in terms of contributions to the organization's short-term financial situation.	Victor & Cullen (1988)
	CE5	Our organization seeks to minimize expenditures on salaries and wages.	Jones et al. (2007)
	CE6	Our organization dedicates specific resources to engage with powerful stakeholders.	Jones et al. (2007)
	CE7	Our organization has no concern for stakeholders that are not powerful.	Jones et al. (2007)
Instrumentalist	I1	Satisfying the interests of some stakeholders is seen by our organization as a means to the end of achieving the organization's goals.	Jones et al. (2007)
	I2	Our organization sometimes satisfies the interests of stakeholders who are not normally important if doing so serves the organization's ultimate interest.	Jones et al. (2007)
	I3	Decisions here are primarily viewed in terms of contributions to the organization's long-term financial situation.	Jones et al. (2007)
	I4	Moral beliefs are only important when adherence to these beliefs benefits the organization.	Jones et al. (2007)
	I5	Our organization sees powerful stakeholders as of primary importance and legitimate stakeholders as secondary.	Jones et al. (2007)
Moralist	M1	While our organization sees all stakeholders as important, in reality it gives more attention to some stakeholders.	Jones et al. (2007)
	M2	Only in times of financial stress, moral beliefs become less important than the immediate survival of the organization.	Jones et al. (2007)
	M3	Those that have power to affect our organization but no moral claims (e.g., the media, competitors) are also regarded as stakeholders.	Jones et al. (2007)
	M4	Our organization compromises the pursuit of its mission, only when it faces economic pressure or challenges.	Jones et al. (2007)
	M5	Our organization gives more regard to powerful stakeholders than to legitimate stakeholders only in times of financial stress.	Jones et al. (2007)
Altruist	A1	Our organization always adheres to moral principles, even when it does not benefit the organization.	Jones et al. (2007)
	A2	Decisions made here are always based on the interests of all affected stakeholders.	Jones et al. (2007)
	A3	For our organization, concern for the welfare of its legitimate stakeholders is always primary.	Jones et al. (2007)
	A4	Moral beliefs are always most important in making stakeholder-related decisions in our organization.	Jones et al. (2007)
	A5	Our organization never compromises the pursuit of its mission, regardless of any economic pressure or challenges.	Jones et al. (2007)
	A6	Our organization is actively concerned about the interests of beneficiaries/clients and the public.	Victor & Cullen (1988)
	A7	The effects of decisions on beneficiaries/clients and the public are a primary concern in our organization.	Victor & Cullen (1988)
	A8	Our organization always does what is right for its beneficiaries/clients and the public.	Victor & Cullen (1988)
	A9	Our organization has an extremely strong sense of responsibility to its beneficiaries/clients and the public.	Victor & Cullen (1988)

Table 1 Sampling and response rates

Industry	*Target*	*Sample population*	*Responses*	*Response rate*
Health	98	75	47	62.7%
Education	280	137	102	74.5%
Multi-services	73	43	34	79.1%
Religious	51	21	16	76.2%
Community services	100	63	41	65.1%
Social services	100	53	39	73.6%
Disability services	44	23	16	69.6%
Accommodation	63	34	24	70.6%
Miscellaneous[a]	82	57	39	68.4%
Classification not known[b]	650	368	263	71.5%
Total	1541	874	621	71.1%

[a] 'Miscellaneous' consists of various industries that contained a small number of organizations, e.g., animal welfare, recreational services, etc.
[b] 'Classification not known' represents organizations whose industry classification was not provided by the online databases.

Table 2 Descriptive statistics

	Observed range	*Mean*	*Std. Deviation*
PG	1-7	5.50	1.760
LG	1-7	5.29	1.449
UG	1-7	5.45	1.507
PI	1-7	4.09	1.904
LI	1-7	4.83	1.659
UI	1-7	4.38	1.785
PD	1-7	3.66	1.892
LD	1-7	4.81	1.654
UD	1-7	4.17	1.784
PE	1-7	4.95	1.416
LE	1-7	5.50	1.171
UE	1-7	5.10	1.311
PV	1-7	4.01	1.899
LV	1-7	5.07	1.570
UV	1-7	4.35	1.659
PC	1-7	4.91	1.661
LC	1-7	5.85	1.237
UC	1-7	5.68	1.357
PM	1-7	5.04	1.703
LM	1-7	5.56	1.433
UM	1-7	5.13	1.474
SG	2-14	10.03	3.140
SI	2-14	8.04	3.334
SD	2-14	7.37	3.291
SE	2-14	9.56	2.783
SV	2-14	7.99	3.359
SC	2-14	11.07	2.881
SM	2-14	9.47	3.401
CEOV	16-49	32.48	4.533
SHCULTURE	28-84	71.89	7.320

Note: The observed ranges for the variables are the same as the theoretical ranges, except for CEOV (theoretical range = 7 - 49) and SHCULTURE (theoretical range = 14 - 84).

Variable description: PG = government power, LG = government moral legitimacy, UG = government urgency, PI = institutional donor power, LI = institutional donor moral legitimacy, UI = institutional donor urgency, PD = individual donor power, LD = individual donor moral legitimacy, UD = individual donor urgency, PE = employee power, LE = employee moral legitimacy, UE = employee urgency, PV = volunteer power, LV = volunteer moral legitimacy, UV = volunteer urgency, PC = client power, LC = client moral legitimacy, UC = client urgency, PM = member power, LM = member moral legitimacy, UM = member urgency, SG = government salience, SI = institutional donor salience, SD = individual donor salience, SE = employee salience, SV = volunteer salience, SC = client salience, SM = member salience, CEOV = CEO other-regarding values (CEO values), SHCULTURE = other-regarding altruist stakeholder culture (stakeholder culture).

Table 3 Mean salience scores across industries and one-way ANOVA F-statistics

Industry	**SG**	**SI**	**SD**	**SE**	**SV**	**SC**	**SM**
Culture and recreation	9.63	8.66	7.89	9.16	8.55	11.31	9.70
Education and research	10.15	8.10	7.11	9.53	7.56	10.98	9.30
Health	10.69	8.01	6.85	9.77	7.70	10.74	8.95
Social services	9.90	8.00	7.39	10.40	8.23	12.05	8.22
Environment	9.92	9.42	7.33	9.67	9.25	10.90	10.20
Development and housing	11.13	8.38	6.63	10.07	8.00	11.43	9.23
Law, advocacy and politics	8.69	9.50	7.14	9.73	9.11	10.25	11.50
Philanthropic intermediaries and voluntarism promotion	10.75	7.29	9.00	10.38	8.75	12.38	9.57
International	10.79	8.46	9.77	8.59	7.50	11.25	8.54
Religion	7.17	6.06	6.85	8.38	7.76	8.62	8.15
Business & professional associations, unions	10.17	6.88	5.71	8.76	8.80	10.33	11.94
Other	9.00	7.71	7.50	9.33	6.43	11.45	11.60
F-statistics	*2.710***	*1.433*	*2.393***	*2.210**	*.958*	*3.102****	*5.788****

[a] significance levels: *p<0.05, **p<0.01, ***p<0.001

Variable description:

SG = government salience
SI = institutional donor salience
SD = individual donor salience
SE = employee salience
SV = volunteer salience
SC = client salience
SM = member salience

Table 4 EFA results for CEO values

	Other-regarding values	*Self-regarding values*
Compassion (item 3)	**.844**	-.034
Being helpful (item 2)	**.800**	-.179
Loving (item 6)	**.699**	.237
Equality (item 5)	**.693**	.042
A comfortable life (item 1)	-.091	**.890**
Wealth (item 4)	-.011	**.833**
Pleasure (item 7)	.111	**.788**
Initial eigenvalues	2.606	1.938
Explained variance (%)	37.234	27.684
Cumulative explained variance (%)	37.234	64.918
Rotation sums of squared loadings	2.386	2.247

[a.] Statistics that load equal to or greater than 0.35 are shown in bold.

Table 5 EFA results for stakeholder culture

	Altruist_client	*Moralist*	*Corporate Egoist*	*Instrumentalist*	*Altruist_general*
A9 Our organization has an extremely strong sense of responsibility to its beneficiaries/clients and the public.	**-.773**	-.007	.082	-.103	-.018
A7 The effects of decisions on beneficiaries/clients and the public are a primary concern in our organization.	**-.737**	-.017	-.028	.086	.014
A8 Our organization always does what is right for its beneficiaries/clients and the public.	**-.581**	-.136	.028	-.086	-.130
A6 Our organization is actively concerned about the interests of beneficiaries/clients and the public.	**-.554**	.088	-.146	.095	-.073
M4 Our organization compromises the pursuit of its mission, only when it faces economic pressure or challenges.	.016	**.845**	-.002	-.079	.013
M5 Our organization gives more regard to powerful stakeholders than to legitimate stakeholders only in times of financial stress.	-.044	**.809**	.017	-.006	.009
M2 Only in times of financial stress, moral beliefs become less important than the immediate survival of the organization.	.021	**.630**	.048	.060	-.013
CE3 Our organization's interest overrides all other considerations.	-.075	.006	**.722**	.035	.003
CE1 Our organization tends to do anything to further its own interest, regardless of the consequences for its stakeholders.	.230	.030	**.580**	.029	-.089
CE2 Work is considered below standard only when it harms the organization's interest.	-.011	.075	**.560**	.004	.039
I1 Satisfying the interests of some stakeholders is seen by our organization as a means to the end of achieving the organization's goals.	.078	.131	.007	**.634**	-.174
I2 Our organization sometimes satisfies the interests of stakeholders who are not normally important if doing so serves the organization's ultimate interest.	-.080	.036	.030	**.494**	.095
I5 Our organization sees powerful stakeholders as of primary importance and legitimate stakeholders as secondary.	.147	.019	.344	**.384**	.054
I4 Moral beliefs are only important when adherence to these beliefs benefits the organization.	.101	.013	.238	**.380**	.138
A2 Decisions made here are always based on the interests of all affected stakeholders.	-.008	-.019	-.060	.073	**-.612**
A4 Moral beliefs are always most important in making stakeholder-related decisions in our organization.	-.052	.007	.066	-.168	**-.576**
A5 Our organization never compromises the pursuit of its mission, regardless of any economic pressure or challenges.	-.089	-.159	.129	-.220	**-.527**
A3 For our organization, concern for the welfare of its legitimate stakeholders is always primary.	-.120	.010	-.109	.223	**-.467**
Initial eigenvalues	4.482	2.226	1.660	1.181	1.063
Explained variance (%)	26.899	12.364	9.220	6.563	5.906
Cumulative explained variance (%)	26.899	39.263	48.483	55.046	60.952
Rotation sums of squared loadings	3.159	2.694	2.327	1.919	2.371

[a] CE = Corporate Egoist, I = Instrumentalist, M = Moralist and A = altruist
[b] Statistics that load equal to or greater than 0.35 are shown in bold.

Table 6 Correlation matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1.PG																											
2.LG																											
3.UG	.557**	.419**																									
4.PI	.110	.158*	.082																								
5.LI	-.007	.173**	.038	.569**																							
6.UI	.015	.023	.173**	.646**	.585**																						
7.PD	-.131*	-.019	-.049	.503**	.319**	.428**																					
8.LD	-.012	.070	.081	.427**	.725**	.481**	.476**																				
9.UD	-.055	-.048	.157*	.475**	.390**	.669**	.660**	.599**																			
10.PE	.181**	.148*	.179**	.065	.032	.107	.060	.018	.063																		
11.LE	.336**	.253**	.219**	.082	.158*	.078	-.099	.124	.003	.504**																	
12.UE	.152*	.121	.187**	.091	.048	.165*	.023	.001	.111	.597**	.512**																
13.PV	-.143*	-.002	-.094	.175**	.191**	.164*	.352**	.317**	.237**	.125	.023	.054															
14.LV	-.032	.036	.018	.181**	.424**	.243**	.169**	.544**	.248**	.038	.264**	.045	.539**														
15.UV	-.134*	-.069	-.026	.222**	.273**	.364**	.317**	.421**	.430**	.065	.016	.246**	.625**	.656**													
16.PC	.194**	.179**	.205**	.105	.054	-.004	.177**	.091	.030	.367**	.167*	.282**	.136*	-.002	.104												
17.LC	.223**	.178**	.294**	.027	.079	.003	-.008	.203**	.128	.216**	.387**	.205**	-.068	.241**	.049	.446**											
18.UC	.141*	.024	.163*	.056	.072	.143*	.174**	.217**	.302**	.279**	.182**	.400**	.087	.174**	.311**	.460**	.564**										
19.PM	.075	.044	-.035	.211**	.097	.055	.170**	.067	.077	.143*	-.018	.104	.330**	.165*	.233**	.177**	-.088	.077									
20.LM	.138*	.105	.030	.221**	.273**	.139*	.150*	.301**	.159*	.098	.123	.058	.247**	.442**	.302**	.065	.171**	.095	.663**								
21.UM	.014	-.009	-.011	.206**	.189**	.232**	.166*	.192**	.234**	.108	-.001	.200**	.325**	.288**	.444**	.128	-.003	.247**	.693**	.704**							
22.SG	.521**	.147*	.422**	.110	.108	.103	.035	.118	.090	.125	.182**	.133*	.012	.009	-.032	.053	.125	.118	.143*	.142*	.132*						
23.SI	.090	.043	.123	.626**	.531**	.755**	.405**	.457**	.535**	.000	.056	.082	.196**	.244**	.304**	-.080	-.068	.067	.138*	.154*	.210**	.321**					
24.SD	-.011	-.055	.086	.518**	.360**	.580**	.661**	.541**	.769**	.007	-.031	.014	.197**	.226**	.340**	-.047	.035	.186**	.010	.121	.135*	.246**	.687**				
25.SE	.267**	.127	.180**	.116	-.005	.130*	.047	-.018	.079	.486**	.405**	.637**	.023	.031	.182**	.164*	.112	.269**	.165*	.077	.151*	.380**	.232**	.187**			
26.SV	-.026	-.024	-.042	.214**	.249**	.325**	.258**	.368**	.296**	-.009	-.016	.095	.678**	.585**	.750**	.021	-.059	.180**	.259**	.254**	.397**	.179**	.408**	.385**	.279**		
27.SC	.237**	.038	.226**	.043	-.019	-.005	.047	.144*	.109	.155*	.136*	.279**	.071	.164*	.211**	.389**	.457**	.597**	.134*	.195**	.159*	.349**	.091	.210**	.381**	.300**	
28.SM	.079	.042	.015	.193**	.103	.141*	.128	.100	.135*	.057	-.017	.098	.346**	.199**	.341**	.156*	-.127	.056	.684**	.524**	.756**	.233**	.232**	.132*	.154*	.435**	.135*

[a] significance levels: *p<0.05, **p<0.01; Variable description: PG = government power, LG = government moral legitimacy, UG = government urgency, PI = institutional donor power, LI = institutional donor moral legitimacy, UI = institutional donor urgency, PD = individual donor power, LD = individual donor moral legitimacy, UD = individual donor urgency, PE = employee power, LE = employee moral legitimacy, UE = employee urgency, PV = volunteer power, LV = volunteer moral legitimacy, UV = volunteer urgency, PC = client power, LC = client moral legitimacy, UC = client urgency, PM = member power, LM = member legitimacy, UM = member urgency, SG = government salience, SI = institutional donor salience, SD = individual donor salience, SE = employee salience, SV = volunteer salience, SC = client salience, SM = member salience.

Table 7 Main effects regressions for Model 1

Stakeholder attributes	Government salience	Institutional donor salience	Individual donor salience	Employee salience	Volunteer salience	Client salience	Member salience
Power	.378***	.211***	.285***	.171***	.302***	.115***	.386***
Legitimacy	-.104**	.035	.061	.050	.061	.149***	-.004
Urgency	.316***	.575***	.520***	.497***	.513***	.449***	.437***
Adjusted R^2	.317	.557	.560	.395	.600	.367	.558
F change	76.307***	149.985***	149.108***	111.348***	199.057***	87.825***	188.934***
N (listwise deletion)	488	356	350	507	397	450	448

[a] significance levels: **p<0.01, ***p<0.001

Table 8 Moderated regressions for Model 2

Moderating variables	Government salience	Institutional donor salience	Individual donor salience	Employee salience	Volunteer salience	Client salience	Member salience
CEO values & stakeholder culture							
Adjusted R^2	.329	.562	.565	.392	.615	.369	.567
R^2 change	.023*	.015	.015	.007	.022**	.013	.017*

[a] significance levels: *p<0.05, **p<0.01

[b] standardized coefficients:
For the product term of stakeholder culture and volunteer moral legitimacy (SHCULTURE_LV), the standardized coefficient is 1.044 ($p < 0.05$); for the product term of stakeholder culture and member moral legitimacy (SHCULTURE_LM), the standardized coefficient is 1.180 ($p < 0.05$).

CHAPTER 4

Paper 3 – Stakeholder Characteristics and Not-for-Profit Accountability Mechanisms

Conference presentations

This paper was presented at the 26th Annual Congress of the European Accounting Association (EAA), Paris, France, 6-8 May 2013 and at the American Accounting Association (AAA) Annual Meeting 2013, Anaheim, United States, 3-7 August 2013.

Abstract

This study examines the varying use of accountability mechanisms of Australian not-for-profit organizations (NFPs) using two competing explanations – stakeholder power and stakeholder salience. Survey data from 621 NFPs were analyzed. The results reveal that not-for-profit (NFP) management used accountability mechanisms for funding agents to a greater extent than for other stakeholders, despite seeing clients as the most salient stakeholder group. The results also indicate that while the use of the accountability mechanism of participation was related to client power, the use of accountability mechanisms of performance assessment and evaluation and self-regulation was driven by funding agents' salience. Implications are drawn with respect to NFP managerial practices and regulatory reform.

Keywords: accountability, accountability mechanisms, stakeholder salience, stakeholder power, not-for-profit

1. Introduction

Not-for-profit organizations (NFPs) are a distinct third sector that exerts significant economic and social impact on the worldwide community.[1] NFPs play a vital role by delivering social services that are not commercially viable for for-profit organizations, or within the core ambit of governmental responsibility (Fischer et al., 2011; Harsh et al., 2010; Chenhall et al., 2010; Dahan et al., 2010). In Australia, there are about 600,000 NFPs, 59,000 of which are economically significant as they contributed $43 billion to the economy and 8% of overall employment in the 2006-2007 period (Productivity Commission, 2010).

The government and for-profit corporate sectors, whose accountability was often demanded by NFPs, are throwing back the accountability question on to NFPs, requiring them to demonstrate legitimacy and accountability (Baur & Schmitz, 2012; Lloyd, 2005). Globally, NFP accountability has attracted the attention of both academic researchers (Gray et al., 2006; Unerman & O'Dwyer, 2006a; Baur & Schmitz, 2012; Benjamin, 2008; Dixon et al., 2006) and policy makers in the last two decades, such that NFP accountability is seen as "the central issue of our time" (Christensen, 2004) and "one of the most important issues facing the sector" (Benjamin, 2008, p.201). In the Australian setting, NFP accountability has gathered increasing attention in recent years (Lyons, 2000; Baulderstone, 2007; Flack, 2007; Senate Standing Committee on Economics, 2008; Gurd & Palmer, 2010; Ryan & Irvine, 2012a; Ryan & Irvine, 2012b).

However, despite the growing presence of NFPs in the economic and social landscape and the increase in societal expectations for their greater accountability and enhanced effectiveness (Productivity Commission, 2010; O'Dwyer & Unerman, 2010; Murtaza,

[1] The term 'not-for-profit organizations' (NFPs) is used interchangeably with 'non-government organizations' (NGOs) in this study. NGOs are private institutions independent from government and usually international in nature. In addition to NGOs, NFPs have been termed differently in the literature, including voluntary organizations, civil society, nonprofit organizations, third sector organizations and social economy (Considine, 2003).

2012), NFP accountability remains an under-researched area (Unerman & O'Dwyer, 2006b; Dixon et al., 2006; Candler & Dumont, 2010). Brennan and Solomon (2008) suggest that further research is required into accountability and accountability mechanisms in the sector. Accountability mechanisms to stakeholders are an important part of NFP governance, since they "have a major influence on relationships between organizations" (Jacobs & Wilford, 2010, p.799). In particular, Assad and Goddard (2010) claim that a description and an explanation of 'how' NFPs account to stakeholders require more attention. Addressing the need and call for further research in this area, the purpose of this study is to provide a comprehensive analysis of accountability mechanisms used by NFPs in Australia, and to explain why they are used variably.

As opposed to their for-profit counterparts that are primarily accountable to shareholders, NFPs deal with an array of stakeholders (Costa et al., 2011; Murtaza, 2012; Davison, 2007; Weerawardena et al., 2010), giving rise to problems of information asymmetry (Burger & Owens, 2010), power imbalances (Dixon et al., 2006), and conflicting and murkier accountabilities (Unerman & O'Dwyer, 2010; Agyemang et al., 2009; O'Regan & Oster, 2005). Jacobs and Wilford (2010, p.799) articulate the 'pragmatic reality' that confronts NFPs:

> "NGOs have to manage a complex set of relationships, particularly in the light of power imbalances and the flow of funds. The challenge for an NGO is to align the commitments that it makes, and the dialogue it pursues, with different stakeholders: some who have little power over it, but are immediately affected by its work, and some who have substantial power over it, but are distant from the field of action".

NFP accountability to stakeholders is seen as a 'strategic choice' (Brown & Moore, 2001; Baulderstone, 2007), which is possibly influenced by two stakeholder characteristics. The dominant stakeholder characteristic suggested in the literature is stakeholder power, which many scholars argue dictates how NFPs discharge their accountabilities (e.g., Kilby, 2006; LeRoux, 2009; Costa et al., 2011; Brown & Moore, 2001; O'Dwyer & Unerman, 2008). However, the relation between stakeholder power and accountability mechanisms is yet to

be tested empirically. This study fills this gap by examining the relation between stakeholder power and NFPs' use of accountability mechanisms. A competing and emerging paradigm to explain NFPs' accountability practices is stakeholder salience (e.g., Cordery & Baskerville, 2011; Assad & Goddard, 2010). Hence, this study also investigates the relation between the construct of 'stakeholder salience' (Mitchell et al., 1997) and use of accountability mechanisms in the sector.

In sum, in answering why NFPs use different accountability mechanisms variably, this study examines how the stakeholder characteristics of power and salience influence NFPs' use of accountability mechanisms. Given its wide recognition in the NFP literature, the study adopts Ebrahim's (2003a) accountability mechanisms framework and examines NFPs' use of the mechanisms of reports and disclosure statements, performance assessment and evaluation, self-regulation and participation.

Data from 621 NFPs across Australia were collected through a mail survey. The results indicate that NFPs used the accountability mechanisms of reports and disclosure statements and self-regulation to a greater extent, and prioritized accountability to funding agents. Comparisons of the results based on stakeholder power and salience indicate that funding agents' salience influenced the use of performance assessment and evaluation and self-regulation. In contrast, the use of the mechanism of participation was found to be dependent on client power rather than salience.

This study contributes to the existing literature, to NFP managerial practices and to regulatory reform in several ways. First, it adds to the literature by testing Ebrahim's (2003a) accountability framework and providing explanations for the prioritization of accountability mechanisms through Mitchell et al.'s (1997) concepts of stakeholder power and salience. This study is the first to combine these well-established frameworks, Mitchell et al. (1997) and Ebrahim (2003a), to investigate the relation between stakeholder

characteristics and NFPs' use of accountability mechanisms. The study also contributes to the NFP accountability literature by examining multiple accountability mechanisms and, by that means, extending prior research that has typically examined single accountability mechanisms (e.g., Flack, 2007; Gurd & Palmer, 2010; Wellens & Jegers, 2011; Thomson, 2010; Bies, 2010; Palmer, 2013; O'Dwyer, 2005; Dhanani & Connolly, 2012; Assad & Goddard, 2010).

Second, the study contributes to managerial practices by informing NFP management about the accountability mechanisms that are used in the NFP sector generally. This information may be used by NFPs to address and balance the accountability demands of their various stakeholders. Management of the tension between accountability to funding agents and to clients is important because it affects how NFPs allocate scarce resources to meet the demands of these two important stakeholder groups which, in its turn, affects the ability and effectiveness of the NFPs to deliver their core social services.

Third, the study contributes to future regulatory reform in the sector by demonstrating the complex and diverse accountability relationships that NFPs confront, which regulators need to appreciate and make provision for in legislation and policy formulation. Given the perceived misalignment between the rhetoric of claimed accountability to clients and the reality of prioritization of accountability to funding agents, a dominant theme that has emerged in the normative literature is a call for greater accountability to clients (Najam, 1996). This study allows understanding of the needs of clients for accountability that regulators may incorporate in legislation and policy, particularly in terms of client participation in NFP management and operations.

The remainder of the paper is organized as follows. The next section presents the literature review and hypotheses development, followed by discussion of the research method and empirical model in the third and fourth sections. Section 5 reports the results and Section 6

discusses the results and their implications. The final section concludes the study and also identifies some limitations of the research and suggests directions for future research.

2. Literature review and development of hypotheses

2.1 Upward and downward accountability

NFP accountability is a "complex and abstract concept" (Edwards & Hulme, 1996, p.967) and is defined in a number of ways (Cornwall et al., 2000; Lloyd et al., 2008; Dixon et al. 2006; Dhanani & Connolly, 2012). Analysis of NFP accountability has been conducted through various perspectives, including the distinctions of upward (relational) and downward (identity) accountability, internal and external accountability, functional and social/strategic accountability and hierarchical and holistic accountability. The most prevalent of these distinctions is upward and downward accountability, which has been extensively discussed and applied in prior studies (O'Dwyer & Unerman, 2007; O'Dwyer & Unerman, 2008; O'Dwyer & Unerman, 2010; Christensen & Ebrahim, 2006; Agyemang et al., 2009; Unerman & O'Dwyer, 2010). The upward-downward distinction of accountability reflects the conflicting demands of two opposing stakeholder groups (i.e., funding agents and clients) and depicts the reality NFPs face with conflicting accountability relationships.

NFPs have 'upward' accountability to their patrons (trustees, donors and host governments) and 'downward' accountability to their clients, supporters and partners (Edwards & Hulme, 1996; Edwards & Hulme, 2002; Najam, 1996). Upward accountability is demanded from above (Christensen & Ebrahim, 2006). Downward accountability is 'felt accountability', which is driven by moral and ethical beliefs (Lloyd, 2005), and hence is seen as discretionary and merely a matter of 'grace and favour' (Mulgan, 2003; Kilby, 2006).

2.2 Accountability mechanisms

Ebrahim (2003a) summarizes five accountability mechanisms that are commonly used by NFPs to demonstrate the fulfillment of upward and downward accountability, namely, reports and disclosure statements, performance assessment and evaluation, self-regulation, participation and social auditing.[2] Ebrahim (2003a) has "carefully collated and classified these accountability mechanisms" (Agyemang et al., 2009, p.11), and the accountability mechanisms framework has been widely discussed and applied in the literature (Murtaza, 2012; Agyemang et al., 2009; Kilby, 2006; Jordan, 2005).

As shown in Table 1, the accountability mechanisms primarily discharge NFPs' accountability either upwardly or downwardly. While the accountability mechanisms of reports and disclosure statements, performance assessment and evaluation and self-regulation mainly discharge NFPs' accountability upwardly to funding agents, participation discharges downward accountability to clients. Social auditing, subsuming the other four mechanisms, discharges NFP accountability both upwardly and downwardly. As detailed in Section 3, this study adopts the survey method in collecting data for the empirical testing of Ebrahim's (2003a) framework. The pre-test of the survey questionnaire among academic colleagues and NFP personnel indicated that the mechanism of social auditing was complex and difficult to understand. It was indicated by some NFP personnel that the concept of social auditing was new to them, and hence might cause confusion or misunderstanding. For this reason, social auditing is excluded from examination in the study.

<Insert Table 1 here>

2.2.1 Reports and disclosure statements

Reports and disclosure statements, such as annual reports, are argued to be the most widely used tool for NFPs to demonstrate accountability (Lee, 2004; Ebrahim, 2003a).

[2] NFPs also owe lateral accountability to themselves, i.e., to their mission and staff (Najam, 1996; Ebrahim, 2010).

Davison (2007), Flack (2007), Mack and Ryan (2007), Palmer (2013) and Dhanani and Connolly (2012) note that (annual) reports are typically used to discharge accountability beyond the mandated accountability of financial information. Besides annual reports, NFPs also prepare specific reports requested by funding agents (Lee, 2004). Reports on the expenditure of funds often come as a condition for NFPs to receive further funding, because funding agents need to ensure that NFPs spend donations for designated purposes (Hyndman & McDonnell, 2009; Marenakos, 2011; Gurd & Palmer, 2010).

Ebrahim (2003a) proposes also that the traditional accountability mechanism of reports and disclosure statements primarily discharges NFPs' upward accountability to funding agents and regulators, although to a lesser extent it may also discharge downward accountability to clients or members who read the reports. Agyemang et al. (2009), Ebrahim (2010), Gurd and Palmer (2010), Palmer (2013), Assad and Goddard (2010) and Unerman and O'Dwyer (2010) also support the use of reports and disclosure statements as discharging upward accountability.

2.2.2 Performance assessment and evaluation

Funding agents desire to see concrete outcomes from an NFP's programs that they support (Marenakos, 2011), and therefore they often conduct an evaluation of the programs (Ebrahim, 2003a). Evaluation can also be carried out by NFP staff themselves internally, which is known as 'self-evaluation' (Wenar, 2006; Sen, 1987). In some cases, a hybrid evaluation takes place when NFP staff work with external evaluators (Ebrahim, 2003a).

Similar to reports and disclosure statements, Ebrahim (2003a) proposes that the mechanism of performance assessment and evaluation mainly serves to discharge NFPs' upward accountability to funding agents, since performance measurement is often required under NFPs' funding agreements. Alexander et al. (2010, p.567) state that performance

measurement "presents an opportunity to build stronger organizational relationships with funders", supporting the upward direction expectation of this mechanism.

2.2.3 Self-regulation

Self-regulation refers to the development of standards or codes of performance and behaviour by NFP networks (Ebrahim, 2003a) and is of a voluntary nature (Lloyd, 2005). Two broad forms of self-regulation are known as codes of conduct and certification/accreditation schemes, both of which have become increasingly popular in the sector (Lloyd, 2005; Hammer et al., 2010).[3]

Ebrahim (2010) claims that self-regulation is used primarily by NFPs to discharge upward accountability to funding agents, as well as their accountability to the sector (i.e., lateral accountability). Ebrahim's (2010) view is consistent with Lloyd (2005) and Gugerty et al. (2010). Lloyd (2005, p.4) states that "the majority of self-regulatory initiatives are principally focused on developing a common position among NGOs on the form and nature of upward accountability" and therefore they do not lead to the discharge of downward accountability. This is because self-regulation serves mainly as a means of quality assurance and legitimization in the eyes of funding agents (Lloyd, 2005).

2.2.4 Participation

Participation refers to the engagement of the public (or clients) in the decision making process of an NFP, or the input provided by the public (or clients) into an NFP's activities through volunteering (Ebrahim, 2003a). Participation is closely related to NFPs' downward accountability to clients (Jacobs & Wilford, 2010), evidenced by the fact that client 'participatory development' has gained considerable momentum recently in the discussion of downward accountability (Agyemang et al., 2009; Wenar, 2006; O'Dwyer & Unerman, 2010).

[3] According to Lloyd (2005) and Shea and Sitar (2004), codes of conduct are established when organizations agree with standards for their conduct, which they are bound to comply with. Certification/accreditation schemes differ in that an organization is assessed by independent external reviewers for compliance with set standards (Lloyd, 2005).

Ebrahim (2003a) identifies four levels of participation depending on the degree of engagement by the public or clients. The first level is a minimum level of participation, at which an organization makes information about a planned project available to the public. Examples of this level of participation are public hearings and surveys (Ebrahim, 2003a). At the second level, an organization involves the public in its project-related activities (e.g., being a volunteer or a donor) (Ebrahim, 2003a). The third level of participation empowers the public to bargain or negotiate with an organization (Ebrahim, 2003a; Agyemang et al., 2009). Lastly, the fourth level represents a maximum level of participation featured by the public taking independent initiatives, such as a movement (Ebrahim, 2003a; Ebrahim, 2010).

At the first two levels of participation, decision-making power vests with NFPs and hence they are 'symbolic' participation (Ebrahim, 2003a). Only those participation processes (i.e., the third and fourth levels of participation) that have mechanisms in place to ensure the sharing of power between clients and NFPs (or funders) can benefit clients (Ebrahim, 2003a). This implies that participation does not discharge accountability downwardly to clients unless clients are involved in making decisions, i.e., being empowered (Agyemang et al., 2009; Ebrahim 2003a; Assad & Goddard, 2010). This is supported by Jacobs and Wilford (2010) and Unerman and O'Dwyer (2010) who argue that downward accountability and empowerment are related concepts.

2.3 Hypotheses development

Accountability and the use of accountability mechanisms is, in practice, a difficult decision for NFP management (Brown & Moore, 2001). Davison (2007, p.137), citing Desai and Howes (1995), argues that "there is no single particular body or simple mechanism which clarifies NGO accountability". As noted earlier, NFPs' multiple and murkier accountabilities are compounded by the lack of resources available to employ multiple mechanisms. Further, adding to this complexity are the upward accountability

requirements imposed by funders, which divert NFPs' attention from downward accountability to clients (Kilby, 2006; Foley & Edwards, 1998; Baulderstone, 2007).

Agyemany et al. (2009) and Kilby (2006) point out that tensions exist among the accountability mechanisms themselves. For example, the frequent and immediate reporting required by funders (i.e., reports and disclosure statements) sometimes conflicts with the slow participatory processes that involve clients (i.e., participation). Consequently, the use of particular accountability mechanisms is seen as a 'strategic choice' by NFP management (Brown & Moore, 2001; Baulderstone, 2007).

Woodward and Marshall (2004) suggest that the types of accountability demanded vary among different stakeholder groups. As indicated in Section 2.2, Ebrahim's (2003a) four accountability mechanisms discharge NFPs' upward accountability (to funding agents) and downward accountability (to clients) variably, suggesting that there exists a relation between stakeholder characteristics and the use of particular accountability mechanisms. The extant literature identifies two stakeholder characteristics that may affect how NFPs account to stakeholders, namely, stakeholder power and stakeholder salience.

2.3.1 Stakeholder power and accountability mechanisms

There are various studies that have used stakeholder power to explain an organization's stakeholder practices. In the for-profit context, Roberts (1992, p.598) contends that "as the level of stakeholder power increases the importance of meeting stakeholder demands increases, also". In the NFP setting, stakeholder power and accountability are closely related (Jacobs & Wilford, 2010; Kilby, 2006). Brown and Moore (2001), O'Dwyer and Unerman (2008), Unerman and O'Dwyer (2010), Dixon et al. (2006) and Kilby (2006) contend that it is the imbalance in power possessed by different stakeholders that leads to varying abilities of stakeholders to hold NFPs accountable and to variations in NFPs' accountability practices.

The NFP literature has typically used resource dependency theory to explain how stakeholder power affects accountability practices, with a focus on NFPs' financial resource dependence (Brandl & Güttel, 2007; Roberts, 1992; O'Dwyer & Unerman, 2008; Gurd, 2013; Assad & Goddard, 2010). Under the resource dependency theory, an organization needs to meet the expectations of stakeholders that control important resources in order to ensure an organization's survival (Wellens & Jegers, 2011; Pfeffer & Salancik, 1978; Hillman et al., 2009; Boesso & Michelon, 2010). Frooman (1999, p.195) asserts that "it is the dependence of firms on environmental actors (i.e., external stakeholders) for resources that gives those actors leverage over a firm".

NFPs are dependent on funding agents of government, corporate and foundation donors and individual donors for financial resources (Assad & Goddard, 2010; LeRoux, 2009). Government and institutional donors, *vis-a-vis* individual donors, donate a larger proportion of financial resources to NFPs, and hence can exert power on NFPs and demand accountability. Brown and Moore (2001, p.573) argue that for NFPs, "…there are important prices to be paid for resisting the claims of powerful stakeholders". When funding agents' needs are not satisfied by an NFP, they would take away resources and support from the NFP, which will then be unable to assist its clients or achieve its mission. Therefore, NFPs' resource dependence on different funding agents "has had significant implications for forms of accountability promoted and practised within the sector" (O'Dwyer & Unerman, 2007, p.449).

Also, Oakes and Young (2008, p.770) claim that "the purpose of accountability often seems to be to force the accountable person or organization to satisfy the desires of particular 'stakeholders', often sources of funding". LeRoux (2009, p.163) provides further support by asserting that "organizations can and do strategically place some stakeholder interests over others because financial performance (revenue growth) is contingent upon such a strategy". Therefore, the fact that accountability is often skewed

toward funding agents can be attributable to the greater economic power that this stakeholder group possesses (Costa et al., 2011).

Despite not being explicit, the influence of stakeholder power on the use of accountability mechanisms is embedded in Ebrahim's (2003a, 2010) discussions of the inducement of NFP accountability mechanisms. As indicated in Table 1, Ebrahim (2003a, 2010) notes that reports and disclosure statements are induced by legal requirements, NFPs' tax status, and funding requirements. NFPs use reports and disclosure statements for compliance purposes, due to a fear of loss of funding or the preferential tax treatment they enjoy. The mechanism of performance assessment and evaluation is mainly driven by external funding requirements (Ebrahim, 2003a; 2010). This is supported by Thomson's (2010) observation that NFPs are highly cautious in complying with the performance reporting requirements of donors due to the fear of reduced funding in the future. Moreover, Ebrahim (2003a; 2010) argues that the use of self-regulation by NFPs is induced by the fear of loss of funding and also the erosion of their public reputation. Hence, these upward accountability mechanisms are of a 'punitive nature' (Oakes & Young, 2008), since funding agents are able to apply sanctions over NFPs failing to meet their accountability requirements.

As opposed to the above mechanisms that are used mainly to account upwardly to funding agents, participation is a process that discharges downward accountability to clients. Participation may be discretionary, in that it is induced by NFPs' internal values (Ebrahim, 2003a; Agyemang et al., 2009). For this reason, Assad and Goddard (2010) argue that empowered participation is only possible when clients possess power. Although most NFPs do not rely on clients for financial contributions through fees, NFPs in certain industries (e.g., clubs, schools, colleges, hospitals, etc.) are dependent on clients for fees for services (O'Neill, 1992), making them "privileged and powerful". In these situations, participation may be demanded by clients based on their economic power and their greater

'exit' options. For example, Saxton (2005) illustrates that clients in the educational sector can be powerful and intensively demand their involvement in funding, curriculum, hiring, legislative process, etc. These arguments lead to the first four hypotheses (H1a to H4a) concerning the relation between stakeholder power and the use of accountability mechanisms.

H1a: Funding agents' power is positively related to the use of reports and disclosure statements.
H2a: Funding agents' power is positively related to the use of performance assessment and evaluation.
H3a: Funding agents' power is positively related to the use of self-regulation.
H4a: Client power is positively related to the use of participation.

2.3.2 Stakeholder salience and accountability mechanisms

Although prior studies have predominantly relied on stakeholder power to understand stakeholder practices, the concept of stakeholder salience (i.e., prominence) has been also proposed to explain organizational stakeholder practices. Stakeholder salience is defined by Mitchell et al. (1997) as the degree to which managers prioritize different stakeholder claims. In recent studies, the concept of stakeholder salience has been used to explain accountability and accounting practices in NFPs (Assad & Goddard, 2010) and stakeholder engagement in for-profit organizations (Boesso & Kumur, 2009). Cordery and Baskerville (2011) demonstrate the importance of developing accountability relationships with salient stakeholders in NFPs, the failure of which will cause an NFP financial and reputational harm.

Garvare and Johansson (2010), Boesso and Kumar (2009) and Burger and Owens (2010) argue that an organization, either in the for-profit or NFP sector, acts to satisfy the interests and needs of salient stakeholders, and hence the effort that an organization makes to account to stakeholders should be consistent with how stakeholders are prioritized. This perspective is shared by Cordery and Baskerville (2011, p.203), who claim that "the most salient stakeholders will be enabled to demand accountability from the organization".

Assad and Goddard (2010) provide empirical support by demonstrating that stakeholder salience influenced NFPs' accountability relationships and accounting processes in two international NGOs (INGOs) in Tanzania. It was found that the accounting practices of the INGOs studied mainly serve the interest of international donors, who were seen as the most salient stakeholder group.

Saxton and Guo (2011) propose a relation between NFPs' use of online accountability mechanisms and stakeholder focus. They argue that the use of an NFP's online accountability mechanisms is influenced by whether the NFP is funding agent-focused or client-focused. Therefore, an organization uses a particular accountability mechanism to a greater extent when the accountability mechanism allows it to "attract and maintain support from the more salient constituents" (Dhanani & Connolly, 2012, p.1149). Thus, a competing set of hypotheses, presented below, proposes a relation between stakeholder salience and the use of Ebrahim's (2003a) four accountability mechanisms.

H1b: Funding agents' salience is positively related to the use of reports and disclosure statements.
H2b: Funding agents' salience is positively related to the use of performance assessment and evaluation.
H3b: Funding agents' salience is positively related to the use of self-regulation.
H4b: Client salience is positively related to the use of participation.

2.3.3 Stakeholder power versus stakeholder salience

Despite being distinct constructs, stakeholder power and stakeholder salience are conceptually related. The concepts of stakeholder power and stakeholder salience are both embraced by Mitchell et al.'s (1997) stakeholder identification and salience framework, which proposes that an organization's managers identify and prioritize organizational stakeholders based on three stakeholder attributes: (a) stakeholders' power to influence the organization, (b) the legitimacy of stakeholders' relationships with the organization, and (c) the urgency of stakeholders' claim on the organization. Mitchell et al.'s (1997) definition of stakeholder power is comprehensive, including the economic (i.e., financial

or other economic resources) and social (i.e., social norms and values) sources of power (Roome & Wijen, 2006). A stakeholder has power, "to the extent it has or can gain access to coercive, utilitarian, or normative means, to impose its will in the relationship" (Mitchell et al., 1997, p.865). Mitchell et al. (1997) drew on Etzioni (1964) to explain the three forms of power: coercive power refers to physical force; utilitarian power involves the use of material rewards including money; normative or social power relies on the use of symbols such as prestige, esteem, love and acceptance.

Addressing a weakness associated with Mitchell et al.'s (1997) definition, Neville et al. (2011, p.369) redefine stakeholder salience as "the prioritization of stakeholder claims by managers based on their perception of the degree of power of the stakeholder and the degree of moral legitimacy and urgency of the claim". Hence, stakeholder salience is different from stakeholder power, given the differences in their definitions and how they are measured in the literature (Mitchell & Agle, 1997; Agle et al., 1999; Chen et al., 2013). Rather, stakeholder salience is an integrated construct that is dependent on the stakeholder attributes of power, legitimacy and urgency.

Mitchell et al.'s (1997) proposed relation between the three stakeholder attributes of power, legitimacy and urgency, and stakeholder salience has received substantial support in the for-profit literature (Laplume et al., 2008). In the NFP context, Chen et al. (2013) found a significant and positive relation between the stakeholder attributes of power and urgency and stakeholder salience. Similarly, Parent and Deephouse (2007) demonstrated that the stakeholder attributes of power and urgency primarily drive stakeholder salience in two sporting events organizing NFPs. This indicates that stakeholder salience is not a simple sum of power, legitimacy and urgency, but is affected by the attributes to varying degrees.

3. Method

3.1 Survey design

While much of the existing research into NFP accountability has been primarily qualitative (e.g., Kilby, 2006; Agyemang et al., 2009; O'Dwyer & Unerman, 2008; Awio et al., 2010; Assad & Goddard, 2010), this study adopts the survey method in order to provide a comprehensive analysis of the practices of accountability mechanisms in NFPs in Australia.[4] The survey questionnaire was constructed and administered following the Tailored Design Method (Dillman et al., 2008). The questionnaire was pre-tested with twelve academic colleagues and four NFP executives, resulting in the elimination of social auditing from the study as well as minor refinement to the questionnaire format and the wording of some terms.

3.2 Sample selection

In Australia, there is a wide range of legal forms that are applicable to NFPs, including companies limited by guarantee, incorporated associations and trusts. Only companies limited by guarantee were chosen because restricting the examination to companies limited by guarantee eliminates noise associated with other legal forms, which may potentially affect how an organization accounts to stakeholders. State legislation governing incorporated associations varies across Australia (Productivity Commission, 2010; CPA Australia, 2013). Targeted survey participants were the top management of NFPs, i.e., Chief Executive Officers (CEOs), as they are primarily responsible and accountable for the governance of their organizations, and therefore are able to provide information about the overall perspectives and practices of an organization (Agle et al., 1999; Ritchie et al., 2007).

[4] Prior studies have predominantly used case studies (Kilby, 2006; Christensen & Ebrahim, 2006; Oakes & Young; 2008; Cordery et al., 2010; Goddard & Assad, 2006; Assad & Goddard, 2010), interviews (Agyemang et al., 2009, Gray et al., 2006; Baulderstone, 2007; O'Dwyer & Unerman, 2007; O'Dwyer & Unerman, 2010; Dixon et al., 2006; Jacobs & Walker, 2004) or a combination of case studies and interviews (O'Dwyer, 2005; O'Dwyer & Unerman, 2008; Dixon et al., 2006; Awio et al., 2011).

Potential participants were initially identified from the *Connecting Up Directory: Australian Nonprofit and Charity Organizations* that was published in January 2012. Since it was the first national NFP database in Australia and was newly released, some organizations may not have had an opportunity to be included in the directory. Therefore, other directories were also consulted to generate a more representative and diverse sample.[5] The compiled list resulted in the identification of 2249 organizations, whose contact persons and phone numbers were individually checked against the details provided on their websites by one of the researchers. This procedure resulted in 708 organizations being deleted due to duplication, lack of contact details or misclassification. The final target population consisted of 1541 organizations. Table 2 shows the distribution of the 1541 organizations across industry classifications, as well as the number of organizations sampled, the number of responses and percentage response rate for each industry and in total. Nine pre-classified industries identified by the online databases/directories are used together with 'classification not known', where the industry classification is not provided by the online databases/directories.

<Insert Table 2 here>

3.3 Survey administration and response rate

A research assistant recruited survey participants via the telephone. The research assistant communicated the purpose and importance of the research to the CEOs of targeted organizations. With organizations where there was no CEO position or the CEO was not available, the president/chairperson or general manager (or equivalent) was contacted instead. This recruitment phrase resulted in a survey population of 874 NFP CEOs or equivalents agreeing to participate.

[5] Other directories accessed were provided by the Australian Council for International Development (ACFID), Australian Government Overseas Aid Program (AusAid), Australian Government Directory (AGD), Pathways Australia, Pro-bono Australia, and RememberMe.

Once an organization's top management personnel was contacted, questionnaires were progressively mailed by one of the researchers to the executives during the period from February to June 2012. Each participant was posted a copy of the questionnaire, prepared as a visually attractive booklet. They were also posted a consent form (as a personalized letter), a pre-paid self-addressed return envelope and a postcard that allowed respondents to request a summary of the results of the study, and also enabled the researcher to identify the respondents separately from the returned questionnaires to allow follow-up while still ensuring anonymity. One telephone follow-up was made by the same research assistant to the organizations that had not returned questionnaires within three weeks of the first mailout. Questionnaires with a different colour for the cover page were re-posted to these organizations to identify the late respondents for analysis of non-response bias. In total, 621 questionnaires were returned, representing a response rate of 71.1% (621 out of 874).

3.4 Biases

The survey method is subject to potential biases of non-response, common method and social desirability. Non-response is not likely to be a concern given the high response rate and the relatively large sample size (Van der Stede et al., 2005). Further, as shown in Table 2, the response rates across the ten pre-classified industries were consistently high, ranging from 62.7% to 79.1%, indicating that the NFP sub-sectors are proportionally represented in the sample. A comparison of early versus late respondents was performed in two stages (Roberts, 1999). First, chi-square tests of the organizational demographic characteristics (i.e., organizational size, age and self-nominated industry) revealed no significant differences between the early and late respondents. Second, one-way analysis of variance (ANOVA) comparisons of the mean values of the independent and dependent variables showed only one of twelve mean comparisons (i.e., the variable relating to the use of performance assessment and evaluation) to be different between early and late respondents, and hence non-response bias is unlikely to be an issue (Chung et al., 2009).

To test for common method bias, Harman's (1967) single-factor test was used (Chang et al., 2010; Podsakoff et al., 2003). Exploratory factor analysis indicated that the total variance explained by a single factor is low (24.46%) and well below the 50% threshold that may indicate the presence of this bias (Podsakoff et al., 2003; Karatepe & Aleshinloye, 2009). Social desirability bias was managed through the maintenance of anonymity and confidentiality of respondents. The cover letter emphasized to respondents that their participation was voluntary and they could withdraw their participation at any time. Also, the cover letter stressed that their responses would be kept strictly anonymous and confidential. Additionally, the questions used to measure the construct of stakeholder salience were proxies and avoided the direct use of the term to prevent respondents from answering questions in favour of societal expectations.

4. Empirical model

The two sets of hypotheses (H1a to H4a and H1b to H4b) were tested using Ordinary Least Squares (OLS) regression. Each of the four accountability mechanisms was tested using two alternative regression models, first with stakeholder power as the focal independent variable (Model A) and then with stakeholder salience as the focal independent variable (Model B).

Model A – Stakeholder power and use of accountability mechanisms

$$MEC = \beta_0 + \beta_1 PG + \beta_2 PI + \beta_3 PD + \beta_4 PC + \beta_5 SIZE + \beta_6 R\_F + \beta_7 R\_E + \beta_8 R\_C + \beta_9 EDU + \beta_{10} HEALTH + \varepsilon$$

Model B - Stakeholder salience and use of accountability mechanisms

$$MEC = \beta_0 + \beta_1 SG + \beta_2 SI + \beta_3 SD + \beta_4 SC + \beta_5 SIZE + \beta_6 R\_F + \beta_7 R\_E + \beta_8 R\_C + \beta_9 EDU + \beta_{10} HEALTH + \varepsilon$$

Variable description:

MEC = the use of each accountability mechanism
PG = government power
PI = institutional donor power
PD = individual donor power
PC = client power
SIZE = organizational size (= 1 if the total revenue in the previous year was < $250,000; = 2 if between $250,000 - $1million; = 3 if > $1million; = 4 if > $50million)
R_F = the proportion of funding agents on a board
R_E = the proportion of elites on a board
R_C = the proportion of clients on a board
EDU = education industry (= 1 if the organization was classified under the education industry, otherwise = 0)
HEALTH = health industry (= 1 if the organization was classified under the health or social services industry, otherwise = 0)
SG = government salience
SI = institutional donor salience
SD = individual donor salience
SC = client salience

Similar to LeRoux (2009), this study subcategorizes funding agents into three distinct groups, namely, government, institutional donors (corporate/foundation donors) and individual donors. These three funding groups differ from each other in terms of their "power to embed their own desired values in the organizational practices of nonprofits they fund" (LeRoux, 2009, p.164) and hence their influence on the use of accountability mechanisms is expected to vary.

4.1 Dependent variable

The use of the four accountability mechanisms is measured as the extent to which each measure is used as a means of discharging the organization's accountability to its stakeholders. Respondents were instructed to "indicate to what extent each of the accountability mechanisms is used as a means of discharging your organization's accountability to its stakeholders". This allowed respondents to report their organizational practices with respect to these mechanisms by considering them in terms of discharging accountability to stakeholders, rather than their use for other purposes. For each mechanism, respondents were asked to indicate their extent of use on a seven-point Likert-type scale, anchored by "1 to no extent" and "7 to a great extent".

4.2 Independent variable

4.2.1 Stakeholder power (H1a – H4a)

As discussed in Section 2.3.3, Mitchell et al.'s (1997) definition of stakeholder power is comprehensive, embracing different sources of power. This study utilizes Mitchell et al.'s (1997) definition and specifically adopts Agle et al.'s (1999) operationalization of stakeholder power. Following Mitchell and Agle's (1997) suggestions to operationalize the constructs in the Mitchell et al. (1997) stakeholder salience framework, Agle et al. (1999) were the first to empirically test the framework. Similar to Agle et al. (1999), respondents were asked to rate the statement "This stakeholder group was powerful

(definition: able to apply a high level of direct economic reward or punishment and/or coercive or physical force and/or positive or negative social influence to obtain its will)" on a seven-point Likert-type scale anchored by "1 Strongly disagree" and "7 Strongly agree".

4.2.2 Stakeholder salience (H1b – H4b)

This study uses two of Mitchell and Agle's (1997) proposed three measures of stakeholder salience (i.e., "what level of the organization's resources has gone to satisfying this stakeholder's claims?" and "how much of your time do you spend thinking about or acting on the claims of this stakeholder?"). The demand of time and resources poses a significant challenge to NFPs in balancing their multiple accountabilities (Sinclair et al., 2010) and, as such, these two measures are manifestations of stakeholder salience. Hence, they proxy stakeholder salience more subtly compared to the level of priority as used by Agle et al. (1999) and Boesso and Kumar (2009), and thus potentially reduce social desirability bias. Similar to the question on stakeholder power, respondents were asked to rate two statements related to stakeholder salience on a seven-point Likert-type scale that ranged from "1 Strongly disagree" to "7 Strongly agree".[6] Scores of the two components of salience were summed to generate the total salience scores for each of the four stakeholder groups.

To overcome the problem that some stakeholder groups are not relevant for certain organizations (e.g., an NFP may not have individual donors), respondents were instructed to leave blank any stakeholder power and salience questions relating to irrelevant stakeholder groups. Further, respondents were provided with the opportunity of commenting about their experience with stakeholders at the end of the survey questionnaire.

[6] The two statements that proxy salience are "Our organization has spent a high level of discretionary resources satisfying this stakeholder group's claims" and "Our organization has spent a great amount of time thinking about or acting on this stakeholder group's claims".

4.4 Control variables

4.4.1 Organizational size

Organizational size is expected to be related to the use of accountability mechanisms. The resources of an organization influence its capacity to account to stakeholders (Agyemang et al., 2009; Burger & Owens, 2010; Baulderstone, 2007; Ebrahim, 2010; Saxton & Guo, 2011). Accountability mechanisms such as performance assessment and evaluation and self-regulation may be cost prohibitive for small organizations (Ebrahim, 2003; Fletcher, 2000). Also, the larger an organization is, the more politically sensitive and visible it becomes (Cho et al., 2010; Kilby, 2006; Roberts, 1992). Therefore, larger organizations will tend to engage the public or clients in decision making in order to legitimize themselves and reduce public scrutiny and political costs. Organizational size was measured as the total revenue in the previous financial year (Lin, 2010; LeRoux & Wright, 2010; Flack, 2007), in line with the classification of small, medium and large NFPs by the Australian Securities and Investments Commission (ASIC) and the Australian Charities and Not-for-profits Commission (ACNC).

4.4.2 Stakeholder representation on board

The role of the board of directors is important to the use of accountability mechanisms because board members shape the internal decision-making of NFPs and have an important role in deciding the priorities and resource allocation of an organization (LeRoux, 2009). LeRoux (2009, p.169) asserts that "board members feel a responsibility to respond to stakeholder expectations" and hence those stakeholders whom a board largely represents will affect the use of upward and downward accountability mechanisms.

4.4.2.1 Economic elites on board

NFPs are known for their weakness of 'philanthropic paternalism', which refers to the serving of economic elites (i.e., business experts, legal representatives and financial experts) on NFP boards (LeRoux, 2009, citing Salamon, 1995). The risk of having

economic elites govern NFPs is that upward accountability to funding agents may override downward accountability to clients, since economic elites tend to focus on efficiency and competition (Bush, 1992). This is supported by LeRoux's (2009) finding that the likelihood of NFPs adopting an 'instrumental' stakeholder orientation (i.e., giving more time and attention to funders at the sacrifice of clients) increases when economic elites dominate the board. Thus, dominance of elites on NFP boards would increase the use of reports and disclosure statements, performance assessment and evaluation and self-regulation.

4.4.2.2 Funders on board

As part of the monitoring mechanisms, funders and donors are often engaged in the decision making process of the board to ensure that the board functions efficiently (Fama & Jensen, 1983; Callen et al., 2003). Also, NFPs often invite corporate donors to be board members to formalize their alliances (LeRoux, 2009). It is expected that NFPs with a significant representation of funding agents would pay extra attention to ensure that the information needs of funding agents are satisfied, and hence would also increase the use of upward accountability mechanisms.

On the other hand, to ensure that NFPs provide value for donated money, funding agents sometimes demand that NFPs collect feedback from clients and involve clients in the NFPs' decision-making. Ebrahim (2003a) argues that these demands of client feedback and participation may be included in the funding requirements. Some governments even fund NFPs to engage clients to ensure effectiveness of service delivery (Unerman & O'Dwyer, 2010). Hence, the proportion of funding agents on a NFP board is expected to be positively related to the use of participation.

4.4.2.3 Clients on board

Additionally, directors who are also clients of the organization would expect the organization to give priority to clients and, like some funding agents, may therefore demand that NFPs use the accountability mechanism of client participation. Therefore, it is expected that funder and client representation on NFP boards will increase the use of participation. Following LeRoux (2009), the proportions of economic elites, funding agents and clients on an NFP board are expressed as the percentages of these stakeholder groups in relation to the total number of board directors in an organization.

4.4.3 Industry

Gurd and Palmer (2010) found that NFPs in the education and health industries are charged with more responsibilities, through mechanisms of reporting and performance measurement, to account to their funders and regulators. Also, according to Ebrahim (2010), NFPs in these two industries have traditionally been self-regulated more heavily than the other industries in the United States (U.S.). This is also the case in Australia, where the health and education industries have long relied on self-regulation by the professionals working within the industries (Regulatory Institutions Network, 2012; Novak et al., 2010). Hence, industry is expected to affect the use of accountability mechanisms by NFPs. Respondents were asked to nominate an industry in which their organization operated from the 12 industry classifications under the International Classification of Nonprofit Organizations (ICNPO) (Australian Bureau of Statistics, 2010). Two dummy variables were formed to code the education and health industries.

5. Results

5.1 Descriptive statistics

The responding organizations were spread over all twelve industries classified under the ICNPO, with 25% from the education industry and 33.5% from the health industry (i.e., health and social services combined), reflecting the weights of these industries in the

target population.[7] Respondents comprised CEOs (67.0%), presidents/chairpersons (4.5%), general managers (18.5%) and other key personnel (9.3%). Males and females were represented approximately equally in the sample (58.0% were males). Descriptive statistics (shown in Table 3) indicate that, on average, the representation (i.e., ratio) of economic elites on NFP boards was high (mean = 56.53%), compared to the mean ratios of clients and funders at 21.31% and 11.83% respectively. Domination of economic elites on NFP boards is now common and has been seen as resulting in the professionalization of NFP boards (LeRoux, 2009).

<Insert Table 3 here>

Table 3 also indicates that the accountability mechanism of reports and disclosure statements was used by NFPs to the greatest extent (mean = 6.31). The second most applied accountability mechanism was self-regulation (mean = 5.24), followed by participation (mean = 5.13) and performance assessment and evaluation (mean = 4.89). The differences in the mean scores of accountability mechanisms show that, on average, NFPs used reports and disclosure statements and self-regulation (i.e., upward accountability mechanisms) to a greater extent than participation (i.e., downward accountability mechanism). This observation was in contrast to the salience levels of the stakeholders. The mean scores of stakeholder salience indicate that, on average, clients (mean = 11.07) were seen as the most salient, preceding government (mean = 10.03), institutional donors (mean = 8.04) and individual donors (mean = 7.37).

Among the three groups of funding agents, government was, on average, perceived as more salient than institutional donors and private donors. The high salience given to government was also reflected in the comments that several respondents gave at the end of the survey. Many respondents commented that they found government difficult to deal

[7] The health and social services industries were combined to represent the health sub-sector because a large number of respondents categorized themselves under social services, although they provided aged care health services (as indicated by the names of the accrediting agents that they provided).

with and often lacked a good understanding of what NFPs do. Respondents also expressed concern over the costs of compliance with the reporting requirements demanded by government. One commented that "it is very difficult to balance the needs and demands of our clients with the demands and requirements of our funding bodies (i.e., government). We have little independence now and are just an arm of government".

5.2 Hypotheses tests

Table 4 reports the pairwise Pearson correlation coefficients for the dependent variables (accountability mechanisms), independent variables (power and salience of four stakeholder groups) and control variables. Table 4 indicates that government salience was significantly correlated with the use of reports and disclosure statements and performance assessment and evaluation ($p < 0.01$). In addition, the correlation between client power and the use of participation was also significant ($p < 0.01$). There were no high correlations (i.e., correlation coefficients exceeding 0.7) among the independent variables, suggesting no evidence of multicollinearity (Harrison &Tamaschke, 1984; Tabachnick & Fidell, 2001; Glasberg et al., 2007).

<Insert Table 4 here>

5.2.1 Regression results for Model A (H1a – H4a)

Table 5 presents the regression results for the first four hypotheses. H1a, H2a and H3a predict that funding agents' power is related to the use of upward accountability mechanisms of reports and disclosure statements, performance assessment and evaluation and self-regulation, and H4a hypothesizes that client power is related to the use of participation. Overall, results in Table 5 do not provide support for H1a, H2a or H3a, since none of the coefficients relating to the power of government, institutional donors and individual donors as funding agents was significant at the 5% significance level. Government power (PG) was related to the use of performance assessment and evaluation at the 10% significance level ($p < 0.10$). In line with expectations, the results support H4a,

as the coefficient of client power was positively and significantly related to the use of participation ($t = 4.923$, $p < 0.01$).

<Insert Table 5 here>

5.2.2 Regression results for Model B (H1b – H4b)

In contrast to the findings relating to the influence of stakeholder power on the use of upward accountability mechanisms, results in Table 6 provide partial support for H1b, H2b and H3b (which predict that the use of upward accountability mechanisms is positively related to funding agents' salience). The regression results show that government salience was significantly and positively related to the use of performance assessment and evaluation ($t = 2.968$, $p < 0.01$) and self-regulation ($t = 2.248$, $p < 0.05$). Also, individual donor salience was positive and significant ($t = 2.077$, $p < 0.05$) in influencing the use of self-regulation. Interestingly, institutional donor salience was negatively and significantly related to the use of performance assessment and evaluation and self-regulation ($t = -2.684$, $p < 0.01$). The results show that the relation between client salience and the use of participation was not significant at the 5% level, and thus do not support H4b.

<Insert Table 6 here>

5.2.3 Control variables

Results in Tables 5 and 6 also show the significance of several control variables in affecting the use of two accountability mechanisms (i.e., performance assessment and evaluation and self-regulation). Organizational size was positively and significantly ($p < 0.05$) related to the use of performance assessment and evaluation. Also, the health industry variable was positive and significant for the accountability mechanisms of performance assessment and evaluation and self-regulation ($p < 0.05$), indicating greater use of these two accountability mechanisms in the health industry. Further, the ratio of

funding agents on NFP boards was found to be positively related to the use of self-regulation ($p < 0.05$).

6. Discussion and implications

6.1 Discussion

6.1.1 Use of accountability mechanisms

First, the results indicated that, among the four accountability mechanisms examined, reports and disclosure statements were used to the greatest extent. This supports Ebrahim's (2003a) claim that reports and disclosure statements are the most widely applied accountability mechanism, and Gurd and Palmer's (2010) finding that disclosure is perceived by NFPs as important in discharging accountability. On the other hand, this finding can be explained by the profile of the majority (87.6%) of the companies in the sample, which were medium to large NFPs (i.e., having total revenue of $250,000 or more in the previous financial year). It is mandatory that they report to the ASIC, prior to the establishment of the ACNC in December 2012 (Australian Securities & Investments Commission, 2010).

Second, the results indicated that overall, NFPs prioritized their upward accountability to funding agents over their downward accountability to clients, although they viewed clients as the most salient stakeholder group. This finding conforms to the predominant finding in the literature that NFPs in reality make greater use of accountability mechanisms to funding agents than they do to clients, despite their desire to account to clients (Unerman & O'Dwyer, 2006b; Najam, 1996; Ebrahim, 2005; Dillon, 2003/4; Baulderstone, 2007; O'Dwyer & Unerman, 2007; Dixon et al., 2006). The finding also agrees with Baulderstone's (2007) conclusion that NFP accountability is largely driven by funding agents' requirements or expectations.

As Najam (1996) suggests, there is a mismatch between NFPs' sentiments of accountability and their accountability actions. NFPs' desire to account to clients is often

suppressed due to the complex network of stakeholders they have (Baur & Schmitz, 2012), each with different or conflicting information needs. Unlike the consumers of for-profit companies or the voting public for the government sector, clients in NFPs generally are not able to punish NFPs for their lack of accountability (Burger & Owens, 2010; Gurd & Palmer, 2010). Downward accountability becomes discretionary and "little more than 'grace or favour'" (Mulgan, 2003, p.137), since "there is no clearly defined path by which they can be held to account by that constituency" (Kilby, 2006, p.952). This is because clients, except those that pay fees to NFPs, lack the legal (coercive) or economic (utilitarian) power to hold NFPs accountable, unlike funding agents (Lee, 2004; Najam, 1996; Lloyd & de las Casas, 2005). Further, funding agents impose various reporting requirements on NFPs demanding them to account for how the money is spent, taking away the resources needed for the discharge of downward accountability (Baur & Schmitz, 2012; Edwards, 2010; Gurd & Palmer, 2010).

6.1.2 Stakeholder characteristics and the use of accountability mechanisms

The results for the relation between two competing stakeholder characteristics and the use of accountability mechanisms present two interesting dimensions to NFP accountability practices. Generally, funding agents' salience appears to play an important role in the use of upward accountability mechanisms, that is, Model B (based on stakeholder salience) explains the variations in the use of upward accountability mechanisms better than Model A, which is based on funding agents' power. For the downward accountability mechanism of participation, client power is significant in influencing its use (i.e., supporting Model A), rather than client salience (i.e., Model B).

Government salience was found to be positively related to the use of upward accountability mechanisms of performance assessment and evaluation and self-regulation. The results are consistent with the finding that, among the three groups of funding agents (government, institutional donors and individual donors), government was seen as the

most salient. Hence, the results support the contention that NFPs use these upward accountability mechanisms in accordance with the prioritization they make about funding agents and give credence to Cordery and Baskerville's (2011, p.203) claim that "the most salient stakeholders will be enabled to demand accountability from the organization".

In this respect, the results shed light on the significant roles that government plays as both a regulator and a funder of the NFP sector in Australia. Government provides a significant amount of financial resources to the sector, evidenced by direct funding of $25.5 billion in the 2006-2007 year and additional indirect funding through tax exemptions and concessions (Australian Government, 2011). Not only is government the largest funder of NFPs in Australia (i.e., possessing economic power), it also has the regulatory (coercive) power to impose more restrictive regulation on the sector, and its demands are seen by NFP management as requiring urgent attention (i.e., urgency). The NFP sector is currently under review and reform, with the establishment of the Australian Charities and Not-for-profits Commission (ACNC) as the sector's national regulator, and the associated intention of further regulation of the sector. One of the survey participants commented that their organization was "in fear" of what the ACNC would impose on NFPs. Cordery and Baskerville (2011) argue that NFPs failing to satisfy government accountability requirements will face several reprisals, while such sanctions are less likely to occur when NFPs fall short of the accountability requirements from other funding agents. Therefore, government requirements, through 'coercive isomorphism', are a driving force of NFP accountability (Baulderstone, 2007).

The salience of individual donors was also found to be related to the use of self-regulation. This can be explained by the fact that individual donors care about where NFPs spend donated financial resources (Berman & Davidson, 2003) and "self-regulation can also be a condition for donor funding" (Gugerty et al., 2010, p.1029). Also, LeRoux (2009) asserts that individual donors are more diverse and more diffused than government and

institutional donors and thus individual donations involve greater uncertainty. NFPs need to make efforts to sustain and expand their donor base, particularly in times of declining public trust in the sector.

As Ebrahim (2003a, 2010) argues, self-regulation is a way to restore public confidence in NFPs by signalling quality and good housekeeping. Self-regulation is a means of projecting an organization's credibility to the general public, which includes individual donors, whether existing or potential. It is likely that individual donors' legitimate claims or expectations, contributing to their salience, are driving NFPs' use of self-regulation. Gugerty (2009, p.246) claims that self-regulation is a way to resolve the 'lemons' problem in the sector, since reputational signalling through this mechanism allows stakeholders to "distinguish high-quality from low-quality organizations", and hence the use of self-regulation is "suggestive of mimetic isomorphism (copying of successful organizations)" (Baulderstone, 2007, p.15). NFPs are seen to use self-regulation to a greater extent when individual donors are seen as more salient.

In contrast, the findings indicated that variations in the use of the downward accountability mechanism of participation was positively related to, and explained by, client power, not client salience. The reason that client power rather than salience was associated with the greater use of participation is likely explained by the fact that NFPs' relationships with their clients are based on moral values rather than the contract-based relationships NFPs have with, for example, government. Although some NFPs (e.g., schools) rely financially on revenue earned from clients, and see clients as a salient stakeholder group, accountability to clients is largely built on the foundation of trust and often seen as discretionary by NFP management (Cordery & Baskerville, 2011; Kilby, 2006). Hence, clients' expectations of NFP accountability, including being involved as participants in the decision-making processes of the organization, can only be realized if and when clients possess power to demand accountability and participation (Wenar, 2006).

There are two possible explanations for this finding. First, the sample in this study was largely dominated by NFPs from the education and health industries, in which clients often possess utilitarian power and can demand participation (O'Neill, 1992; Saxton, 2005; Chen et al., 2013). Second, it may be clients' normative power that drives NFPs' use of participation. Clients have normative power, since they are directly linked with an NFP's mission, justifying NFPs' existence. Hence, as the definition of downward accountability suggests, NFPs identify with their clients because of the normative/social power that clients have.

Some implications can be drawn from the findings of the significance of several control variables. First, it was found that NFPs in the health industry were more likely to use the upward accountability mechanisms of performance assessment and measurement and self-regulation. This finding supports the claims of Gurd and Palmer (2010) and Ebrahim (2010) that NFPs in the health industry have more responsibilities with respect to performance measurement and are traditionally more self-regulated. Second, the ratio of funding agents on an NFP board was found to be positively related to the use of self-regulation, which further demonstrates that in the eyes of funders and donors, an NFP's creditability (to the public and potential funders and donors) is important and hence its good housekeeping and quality should be signaled through self-regulation (e.g., by having the organization accredited). Interestingly, a negative relation between institutional donor salience and the use of self-regulation was found, contrary to what was expected. This relation could be further examined in future studies.

6.2 Implications

6.2.1 Theoretical implications

The results provide support to Ebrahim's (2003a) accountability mechanisms framework that performance assessment and evaluation and self-regulation are mechanisms that primarily discharge upward accountability to funding agents. The use of these two

mechanisms is better explained by the construct of stakeholder salience, supporting Cordery and Baskerville (2011), rather than stakeholder power, as argued by Ebrahim (2003a), Kilby (2006), O'Dwyer and Unerman (2008) and Unerman and O'Dwyer (2010). Additionally, the results support Ebrahim (2003a) that the mechanism of participation is a downward accountability mechanism for clients.

6.2.2 Managerial implications

NFP management is placed in the difficult position of needing to satisfy and account to multiple stakeholders across a broad range of accountability criteria. However, they should realize that some accountability mechanisms depart from an NFP's mission (Jordan, 2005) and may result in a 'distortion of accountability priorities' (O'Dwyer & Unerman, 2008; Agyemang et al., 2009). As Jacobs and Wilford (2010, p.800) state, "accountability mechanisms risk reproducing existing power imbalances and local exclusion". Moreover, reporting and accounting to funding agents, particularly government and regulators, may be 'bureaucratic', and onerous financial resources and staff time can be spent on reporting the required information upward to funders at the expense of allocating the resources and time to mission-related programs and activities (Baulderstone, 2007; Wenar, 2006). This situation depicts the realistic dilemma that NFPs face. What is needed for NFPs is to hold themselves more accountable to clients by using participatory mechanisms. As Wellens and Jegers (2011) argue, client participation has the potential to improve NFP services, help achieve organizational goals, and also enhance NFPs' legitimacy.

Saxton and Guo (2011, p.272) emphasize "the need for organizations to strive for responsiveness in their accountability mechanisms by ensuring that governance arrangements and strategic-level decisions accord with the demands of a broad range of stakeholders". NFP management needs to balance their relationships with different stakeholders, who are "the most salient organizational audiences" (Scott & Lane, 2000,

p.53), because these 'audiences' impact on an NFP's performance (Freeman, 1984). NFPs can achieve such a balance through the practice of holistic accountability, which embraces all types of accountabilities[8] (Unerman & O'Dwyer, 2010; O'Dwyer & Unerman, 2008).

6.2.2 Regulatory implications

With respect to implications for government, an intention of the current review in Australia of the NFP sector is, as stated earlier, streamlined regulation that improves the sector's accountability and transparency. Agreeing with Wenar (2006), Costa et al. (2011) warn that greater and better accountability should be intrinsically driven and should derive from an NFP's mission. Thus, greater accountability would need to comprise a broadening of accountability beyond the contractual accountability to funding agents, and be defined and operationalized based on the mission of the organization with respect to clients.

Commonly, practitioners in the NFP sector are concerned about the excessive resources spent on satisfying funders' information demands, as reflected in their submissions to the Senate Inquiry. The executive director of Anglicare Australia, in her submission to the 2008 Senate Inquiry, commented that 46% of the grant received is spent on accounting for the grant (Senate Standing Committee on Economics, 2008). Catholic Social Services Australia indicates the need to reduce administrative demands and utilize funding in achieving program outcomes (Senate Standing Committee on Economics, 2008). Additionally, Agyemang et al. (2009) criticize the lack of flexibility in the report formats required by funders.

Upward accountability may crowd out the resources available for NFPs' 'core activities' (Palmer, 2013) and the discharge of downward accountability (Kilby, 2006). Therefore, when considering reforms to improve the sector's accountability, it is important for government not to mandate excessive or hierarchical and procedural accountability

[8] Holistic accountability is seen as "broadening the accountability of an NGO to encompass accountability for its wider impacts, including its actual and potential impacts on a range of less powerful stakeholder groups" (O'Dwyer & Unerman, 2008, p.802).

mechanisms on NFPs, given that they may be destructive or counterproductive to an NFP's organizational aims and legitimacy (Gray et al., 2006; Unerman & O'Dwyer, 2010; O'Dwyer & Unerman, 2008; Unerman & O'Dwyer, 2006b).

While there is pressure on NFPs to demonstrate and enhance their downward accountability to clients, this may only be effectively achieved with the support of government as regulator and funder. Baulderstone (2007) argues that increased governmental scrutiny can encourage NFPs to develop other mechanisms to account to stakeholders other than funding agents. Future regulatory reforms in the sector should consider explicitly incorporating the needs of clients in formulating accountability requirements.

Citing Edwards and Hulme (2002), Ebrahim (2003a; 2003b) and O'Dywer (2007), Unerman and O'Dwyer (2010, p.481) argue that after realizing the importance of NFP downward accountability, some governments have started to fund NFPs to use downward accountability mechanisms in order to enhance the effectiveness of NFPs' service delivery. Given the finding of a significant relation between client power and the use of participation, the power imbalance between an NFP and its clients needs to be resolved prior to the fulfillment of downward accountability. Clients often fear speaking up about their concerns or criticizing NFPs, which provide them with needed resources or services (Agyemang et al., 2009; Unerman & O'Dwyer, 2010). Regulatory proposals and actions should empower clients so that they can demand an account from NFPs against criteria important to clients. Much of the recent discussion on accountability has called for a participatory approach to clients, advocating involvement and empowerment of clients in NFPs' decision-making processes (Agyemang et al., 2009; Kilby, 2006).

Last, NFP size was found to be related to the use of the accountability mechanism of performance assessment and evaluation, i.e., the larger the NFP, the greater the use of this

mechanism. This suggests that the resource requirements of performance assessment and evaluation may inhibit or prohibit small NFPs from using this practice. “Size is a particularly important determinant of non-profit accountability” (Saxton & Guo, 2011, p.276). Thus, funding agents (especially government because of its legislative power to enforce compliance with accountability mechanisms) should take into consideration an NFP’s size and resource capacity when dictating the accountability requirements for the fund recipients.

7. Conclusion, limitations and suggestions for future research

This study was motivated by the importance of NFPs in economic and social functioning in Australia and internationally, the importance of NFP accountability, and the calls for more research in this area as a result of limited empirical evidence on NFP accountability practices. The study examined NFPs’ use of accountability mechanisms and investigated two competing stakeholder characteristics as potential causes of variations in the use of accountability mechanisms. Specifically, the study examined the impact of stakeholder power and stakeholder salience on NFPs’ use of four of Ebrahim’s (2003a) accountability mechanisms, namely, reports and disclosure statements, performance assessment and evaluation, self-regulation and participation.

Data from 621 NFPs across Australia were collected via a mail survey. The study found that in reality NFPs prioritized their upward accountability to funding agents, contrary to the rhetoric of viewing clients as the most salient stakeholder group. While the use of performance assessment and evaluation and self-regulation was found to be related to funding agents’ salience, the use of participation was driven by client power. In conclusion, it appears that, generally, the construct of stakeholder salience better explains the variations in the use of upward accountability mechanisms, while stakeholder power explains the variations in the use of participation, a downward accountability mechanism.

In dealing with multiple and conflicting accountabilities, the challenge for NFPs is "to prioritize their most important stakeholders and to then devote enough resources to communicate effectively with them and to satisfy their reporting requirements" (Grant Thornton, 2008, p.9). While it is generally accepted that for-profit organizations account primarily to shareholders, NFPs should prioritize their accountability to clients who should be, and are found to be in this study, the most salient stakeholder group in NFPs. Hence, while NFPs are required to balance the accountability needs of different stakeholders, they may differentiate themselves from their for-profit counterparts by prioritizing and enhancing their moral accountability to clients. In particular, NFPs are urged to further develop participatory mechanisms and empower clients.

This study is subject to at least six limitations which point to directions for further research. First, the study did not include accountability mechanisms that NFPs may use but are not included in Ebrahim's (2003a) framework. As Ebrahim (2003a) indicates, the five accountability mechanisms he proposed are broad mechanisms and not exhaustive or fully comprehensive of the specific mechanisms NFPs may use. Similarly, this study omits social auditing, which was not amenable for the survey method used in the study and was a relatively new concept for many NFPs. Social auditing could be examined in future work because of its complexity and role in stakeholder empowerment (O'Dwyer, 2005). Also, the specific approaches of accountability practised by NFPs, including informal approaches (Kilby, 2006; Baulderstone, 2007), can be investigated in future research through case studies or interviews with NFP executives.

Second, this study suggested that client power, either being their utilitarian or normative power, drives the use of participation. An alternative explanation for the significant relation between client power and the use of participation is that participation empowers clients, as claimed by Baulderstone (2007) and Kilby (2006). Since causal inferences

cannot be drawn from regression analyses (Freedman, 1994), further studies are needed to examine the causal direction of the relation.

Third, this study explores the influence of stakeholder power and salience on the use of accountability mechanisms. Future studies that further examine this relation could include other factors that are likely to contribute to the use of accountability mechanisms, such as organizational culture (Baulderstone, 2007) and organizational type. Ebrahim (2003b, 2010) classifies organizational type as membership organizations, service organizations and advocacy networks. The use of accountability mechanisms, as well as managerial perceptions of stakeholder power and salience, may differ across these types.

Fourth, the dual roles of government as funder and regulator were not disentangled in this study. Future studies can split the government's roles (Flack, 2007) and examine in which capacity government exerts greater influence on NFPs' use of accountability mechanisms.

A fifth limitation of the study is that it examined only NFPs with the legal form of company limited by guarantee. This choice had the advantage of allowing variations in accountability mechanisms to be examined while controlling for the legal form of the organization. Future research, however, may expand the current study into NFPs with other legal forms, such as incorporated associations. It is estimated that there were about 136,000 incorporated associations in the NFP sector in Australia in the 2008-2009 financial period (Australian Government, 2011). Comparisons of accountability practices, particularly the use of reports and disclosure statements, between companies limited by guarantee and incorporated associations would assist the regulators to assess the need for standardizing or making uniform the legal forms of NFPs in Australia, which was a recommendation made by the 2008 Senate Inquiry into the sector's disclosure practices.

Sixth and last, a self-administered survey questionnaire was used to collect the data and, as such, the study is subject to the general limitations of the survey method, one of which is

that it only gathers information at a point in time. Hence, the survey cannot capture the dynamic nature of stakeholder salience, which changes over time (Mitchell et al., 1997; Hsieh, 2010) and may therefore lead to changes in the use of accountability mechanisms over time. Future research can conduct longitudinal case studies to investigate how changes in stakeholder salience affect accountability practices of NFPs (Winn & Keller, 2001; Jeurissen, 2004).

References

Agle, B. R., Mitchell, R. K. and Sonnenfeld, J. A. (1999), "Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values", *Academy of Management Journal,* Vol. 42 No. 5, pp. 507-525.

Agyemang, G., Awumbila, M., Unerman, J. and O'Dwyer, B. (2009), "NGO Accountability and Aid Delivery", Commissioned report, The Association of Chartered Certified Accountants, London.

Alexander, J., Brudney, J. L. and Yang, K. (2010), "Introduction to the symposium: Accountability and performance measurement: The evolving role of nonprofits in the hollow state", *Nonprofit and Voluntary Sector Quarterly,* Vol. 39 No. 4, pp. 565-570.

Assad, M. J. and Goddard, A. R. (2010), "Stakeholder salience and accounting practices in Tanzanian NGOs", *International Journal of Public Sector Management*, Vol. 23 No. 3, pp. 276 – 299.

Australian Bureau of Statistics (2010), "Information paper: Non-profit institutions - a draft information development plan", Australian Bureau of Statistics, Canberra.

Australian Government (2011), "Australian Charities and Not-for-profits Commission implementation taskforce" Commonwealth of Australia, available at: http://acnctaskforce.treasury.gov.au/content/Content.aspx?doc=about.htm (accessed 2 March 2012).

Australian Securities & Investments Commission (2010), "Companies limited by guarantee—simplified obligations", available at: http://www.asic.gov.au/asic/asic.nsf/byheadline/Companies+limited+by+guarantee-simplified+obligations?openDocument (accessed 5 March 2011).

Awio, G., Northcott, D. and Lawrence, S. (2011), "Social capital and accountability in grass-roots NGOs: The case of the Ugandan community-led HIV/AIDS initiative", *Accounting, Auditing & Accountability Journal*, Vol. 24 No. 1, pp. 63-92.

Baulderstone, J. (2007), "Accountability to service users: Rhetoric or reality?", *Third Sector Review,* Vol. 13 No. 1, pp. 9-19.

Baur, D. and Schmitz, H. (2012), "Corporations and NGOs: When accountability leads to co-optation", *Journal of Business Ethics,* Vol. 106 No. 1, pp. 9-21.

Benjamin, L. M. (2008), "Account space: How accountability requirements shape nonprofit practice", *Nonprofit and Voluntary Sector Quarterly*, Vol. 37 No. 2, pp. 201-223.

Berman, G. and Davidson, S. (2003), "Do donors care? Some Australian evidence", *Voluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 14 No. 4, pp. 421-429.

Bies, A. L. (2010), "Evolution of nonprofit self-regulation in Europe", *Nonprofit and Voluntary Sector Quarterly,* Vol. 39 No. 6, pp. 1057-1086.

Boesso, G. and Kumar, K. (2009), "Stakeholder prioritization and reporting: Evidence from Italy and the US", *Accounting Forum,* Vol. 33 No. 2, pp. 162-175.

Boesso, G. and Michelon, G. (2010), "The effects of stakeholder prioritization on corporate financial performance: An empirical investigation", *International Journal of Management,* Vol. 27 No. 3, pp. 470-496.

Brandl, J. and Güttel, W. (2007), "Organizational antecedents of pay-for-performance systems in nonprofit organizations", V*oluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 18 No. 2, pp. 176-199.

Brennan, N. M. and Solomon, J. (2008), "Corporate governance, accountability and mechanisms of accountability: An overview", *Accounting, Auditing & Accountability Journal,* Vol. 21 No. 7, pp. 885 - 906.

Brown, L. D. and Moore, M. H. (2001), "Accountability, strategy, and international nongovernmental organizations", *Nonprofit and Voluntary Sector Quarterly,* Vol. 30 No. 3, pp. 569-587.

Christensen, J. (2004), Asking the Do-gooders to Prove They Do Good, *The New York Times*.

Burger, R. and Owens, T. (2010), "Promoting transparency in the NGO sector: Examining the availability and reliability of self-reported data", *World Development,* Vol. 28 No. 9, pp. 1263-1277.

Bush, R. (1992), "Survival of the nonprofit spirit in a for-profit world", *Nonprofit and Voluntary Sector Quarterly,* Vol. 21 No. 4, pp. 391-410.

Callen, J. L., Klein, A. and Tinkelman, D. (2003), "Board composition, committees, and organizational efficiency: The case of nonprofits", *Nonprofit and Voluntary Sector Quarterly,* Vol. 32 No. 4, pp. 493-520.

Candler, G. and Dumont, G. (2010), "A non-profit accountability framework", *Canadian Public Administration,* Vol. 53 No. 2, pp. 259-279.

Chang, S-J., van Witteloostuijn, A. and Eden, L. (2010), "From the editors: Common method variance in international business research", *Journal of International Business Studies,* Vol. 41, pp. 178–184.

Chen, J., Dyball, M. C., Kilgore, A. and Cummings L. S. (2013), "Who and what really count? An examination of stakeholder attributes and salience in the not-for-profit sector", *2013 Accounting & Finance Association of Australia and New Zealand (AFAANZ) Conference*, 7-9 July, Perth, Australia.

Chenhall, R. H., Hall, M. and Smith, D. (2010), "Social capital and management control systems: A study of a non-government organization", *Accounting, Organizations and Society,* Vol. 35 No. 8, pp. 737-756.

Cho, C. H., Roberts, R. W. and Patten, D. M. (2010), "The language of US corporate environmental disclosure", *Accounting, Organizations and Society,* Vol. 35 No. 4, pp. 431-443.

Christensen, R. A. and Ebrahim, A. (2006), "How does accountability affect mission? The case of a nonprofit serving immigrants and refugees", *Nonprofit Management & Leadership,* Vol. 17 No. 2, pp. 195-209.

Chung, T. K. J., Harrison, G. L. and Reeve, R. C. (2009). "Interdependencies in Organization Design: A Test in Universities." *Journal of Management Accounting Research,* Vol. 21 No. 1, pp. 55-73.

Considine, M. (2003), "Governance and competition: The role of non-profit organizations in the delivery of public services", *Australian Journal of Political Science,* Vol. 38 No.1, pp. 63-77.

Cordery, C. and Baskerville, R. (2011), "Charity transgressions, trust and accountability", *Voluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 22 No. 2, pp. 197-213.

Cordery, C., Baskerville, R. and Porter, B. (2010), "Control or collaboration? Contrasting accountability relationships in the primary health sector", *Accounting, Auditing & Accountability Journal,* Vol. 23 No. 6, pp. 793-813.

Cornwall, A., Lucas, H. and Pasteur, K. (2000), "Introduction: Accountability through participation: Developing workable partnership models in the health sector", *IDS Bulletin,* Vol. 31 No. 1, pp. 1-13.

Costa, E., Ramus, T. and Andreaus, M. (2011), "Accountability as a managerial tool in non-profit organizations: Evidence from Italian CSVs", *Voluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 22 No.3, pp. 470-493.

CPA Australia (2013), "Incorporated associations: Reporting and auditing obligations", availble at: http://www.cpaaustralia.com.au/~/media/Corporate/AllFiles/Document/professional-resources/auditing-assurance/incorporated-associations.pdf (accessed 4 May 2013).

Dahan, N. M., Doh, J. and Teegen, H. (2010), "Role of nongovernmental organizations in the business - government - society interface: Special issue overview and introductory essay", *Business & Society,* Vol. 49 No. 1, pp. 20-34.

Davison, J. (2007), "Photographs and accountability: Cracking the codes of an NGO", *Accounting, Auditing & Accountability Journal,* Vol. 20 No. 1, pp. 133-158.

Desai, V. and Howes, M. (1995), "Accountability and participation: A case study from Bombay", in Edwards, M. & Hulme, D. (Eds), *Non-governmental Organizations – Performance and Accountability: Beyond the Magic Bullet,* London: Earthscan Publications Limited, pp. 83-93.

Dhanani, A. and Connolly, C. (2012), "Discharging not-for-profit accountability: UK charities and public discourse", *Accounting, Auditing & Accountability Journal,* Vol. 25 No. 7, pp. 1140-1169.

Dillon, E. (2003/4), "Accountabilities and power in development relationships", *Trocaire Development Review,* Dublin, pp. 105-117.

Dillman, D. A., Smyth, J. D. and Christian, L. M. (2008), *Internet, Mail and Mixed-mode Surveys: The Tailored Design Method*, Hoboken, NJ: Wiley.

Dixon, R., Ritchie, J. and Siwale, J. (2006), "Microfinance: Accountability from the grassroots", *Accounting, Auditing & Accountability Journal,* Vol. 19 No. 3, pp. 405-427.

Ebrahim, A. (2003a), "Accountability in practice: Mechanisms for NGOs", *World Development*, Vol. 31 No. 5, pp. 813-829.

Ebrahim, A. (2003b), "Making sense of accountability: Conceptual perspectives for northern and southern nonprofits", *Nonprofit Management and Leadership,* Vol. 14 No. 2, pp. 191-212.

Ebrahim, A. (2005), "Accountability myopia: Losing sight of organizational learning", *Nonprofit and Voluntary Sector Quarterly,* Vol. 34 No. 1, pp. 56-87.

Ebrahim, A. (2010), "The many faces of nonprofit accountability", Working Paper, Harvard Business School, Boston.

Edwards, M. (2010), *Small Change. Why Business Won't Save the World,* San Francisco, CA: Berrett-Koehler Publishers.

Edwards, M. and Hulme, D. (1996), "Too close for comfort? The impact of official aid on nongovernmental organizations", *World Development,* Vol. 24 No. 6, pp. 961-973.

Edwards, M. and Hulme, D. (2002), *NGO Performance and Accountability: Introduction and Overview,* London, Earthscan.

Etzioni, A. (1964), *Modern Organizations,* Englewood Cliffs, NJ: Prentice-Hall.

Fama, E. F. and Jensen, M. C. (1983), "Separation of ownership and control", *Journal of Law and Economics,* Vol. 26 No. 2, pp. 301-325.

Fischer, R. L., Wilsker, A. and Young, D. R. (2011), "Exploring the revenue mix of nonprofit organizations: Does it relate to publicness?", *Nonprofit and Voluntary Sector Quarterly,* Vol. 40 No. 4, pp. 662-681.

Flack, E. (2007), "The Role of Annual Reports in a System of Accountability for Public Fundraising Charities", Unpublished PhD thesis, Queensland University of Techology, Brisbane.

Fletcher, M. (2000), "The quality of Australian health care: Current issues and future directions", Commonwealth Department of Health and Aged Care, Canberra.

Foley, M. W. and Edwards, B. (1998), "Beyond Tocqueville: Civil society and social capital in comparative perspective: Editors' introduction", *American Behavioural Scientist,* Vol. 42 No. 1, pp. 5-20.

Freedman, D. A. (1994), *From Association to Causation via Regression, Technical Report No. 408,* Statistics Department, University of California, Berkeley, CA.

Freeman, R. E. (1984), *Strategic Management: A Stakeholder Approach,* Boston, MA: Pitman.

Frooman, J. (1999), "Stakeholder influence strategies", *The Academy of Management Review*, Vol. 24 No. 2, pp. 191-205.

Garvare, R. and Johansson, P. (2010), "Management for sustainability - a stakeholder theory", *Total Quality Management & Business Excellence*, Vol. 21 No. 7, pp. 737-744.

Glasberg, A. L., Eriksson, S. and Norberg, A. (2007), "Burnout and 'stress of conscience' among healthcare personnel", *Journal of Advanced Nursing*, Vol. 57 No. 4, pp. 392-403.

Goddard, A. and Assad, M. J. (2006), "Accounting and navigating legitimacy in Tanzanian NGOs", *Accounting, Auditing & Accountability Journal*, Vol. 19 No. 3, pp. 377-404.

Grant Thornton (2008), "Take a Fresh Look at Some of the Not for profit Issues Currently Affecting the Sector", Grant Thornton Not-for-Profit Survey 2007/2008, Grant Thornton New Zealand.

Gray, R., Bebbington, J. and Collison, D. (2006), "NGOs, civil society and accountability: Making the people accountable to capital", *Accounting, Auditing & Accountability Journal*, Vol. 19 No. 3, pp. 319-348.

Gugerty, M. (2009), "Signaling virtue: Voluntary accountability programs among nonprofit organizations", *Policy Sciences*, Vol. 42 No. 3, pp. 243-273.

Gugerty, M. K., Sidel, M. and Bies, A. L. (2010), "Introduction to minisymposium: Nonprofit self-regulation in comparative perspective - themes and debates", *Nonprofit and Voluntary Sector Quarterly*, Vol. 39 No. 6, pp. 1027-1038.

Gurd, B. (2013), "Rising accountability of Australian non-government schools", *Public Money & Management*, Vol. 33 No. 6, pp. 415-420.

Gurd, B. and Palmer, P. D. (2010), "Exploring accountability relationships in the NFP sector", *The Sixth Asia Pacific Interdisciplinary Research in Accounting (APIRA) Conference*, The University of Sydney, Sydney, Australia.

Hammer, M., Rooney, C. and Warren, S. (2010), "Addressing accountability in NGO advocacy", Briefing paper number 125, March, One World Trust, London, pp. 1-30.

Harman, H. H. (1967), *Modern Factor Analysis*, Chicago, IL: University of Chicago Press.

Harrison, S. R. and Tamaschke, H. U. (1984), *Applied Statistical Analysis*, Sydney: Prentice-Hall.

Harsh, M., Mbatia, P. and Shrum, W. (2010), "Accountability and inaction: NGOs and resource lodging in development", *Development and Change*, Vol. 41 No. 2, pp. 253-278.

Hillman, A. J., Withers, M. C. and Collins, B. J. (2009), "Resource dependence theory: A review", *Journal of Management*, Vol. 35 No. 6, pp. 1404-1427.

Hsieh, J. (2010), "Strategic stakeholder orientations and performance consequences - a case of private nonprofit performing arts in the US", *International Journal of Nonprofit & Voluntary Sector Marketing,* Vol. 15 No. 1, pp. 13-27.

Hyndman, N. and McDonnell, P. (2009), "Governance and charities: An exploration of key themes and the development of a research agenda", *Financial Accountability & Management,* Vol. 25 No. 1, pp. 5-31.

Jacobs, A. and Wilford, R. (2010), "Listen first: A pilot system for managing downward accountability in NGOs", *Development in Practice,* Vol. 20 No. 7, pp. 797-811.

Jacobs, K. and Walker, S. P. (2004), "Accounting and accountability in the Iona community", *Accounting, Auditing & Accountability Journal,* Vol. 17 No. 3, pp. 361-381.

Jeurissen, R. (2004), "Institutional conditions of corporate citizenship", *Journal of Business Ethics,* Vol. 53 No. 1/2, pp. 87-96.

Jordan, L. (2005), *Mechanisms for NGO Accountability*, GPPi Research Paper Series No. 3, Global Public Policy Institute, Cambridge.

Karatepe, O. M. and Aleshinloye, K. D. (2009), "Emotional dissonance and emotional exhaustion among hotel employees in Nigeria", *International Journal of Hospitality Management,* Vol. 28 No. 3, pp. 349-358.

Kilby, P. (2006), "Accountability for empowerment: Dilemmas facing non-governmental organizations", *World Development,* Vol. 34 No. 6, pp. 951-963.

Laplume, A. O., Sonpar, K. and Litz, R. A. (2008), "Stakeholder theory: Reviewing a theory that moves us", *Journal of Management*, Vol. 34 No. 6, pp. 1152-1189.

Lee, J. (2004), "NGO Accountability: Rights and Responsibilities", Programme on NGOs and Civil Society, Centre for Applied Studies in International Negotiations, Geneva, Switzerland.

LeRoux, K. (2009), "Managing stakeholder demands: Balancing responsiveness to clients and funding agents in nonprofit social service organizations", *Administration & Society,* Vol. 41 No. 2, pp. 158-184.

LeRoux, K. and Wright, N. S. (2010), "Does performance measurement improve strategic decision making? Findings from a national survey of nonprofit social service agencies", *Nonprofit and Voluntary Sector Quarterly,* Vol. 39 No. 4, pp. 571-587.

Lin, W. (2010), "Nonprofit Revenue Diversification and Organizational Performance: An Empirical Study of New Jersey Human Services and Community Improvement Organizations", Unpublished PhD thesis, The State University of New Jersey, Newark.

Lloyd, R. and de las Casas, L. (2005), *NGO Self-regulation: Enforcing and Balancing Accountability*, One World Trust, London.

Lloyd, R., Warren, S. and Hammer, M. (2008), *2008 Global Accountability Report*, One World Trust, London.

Lyons, Mark W. (2000*), "*Nonprofit organizations in Australia: What do we know nine years later and what should we find out now", Working Paper, Queensland University of Technology, Brisbane.

Mack, J., and Ryan, C. (2007), "Is There an audience for public sector annual reports: Australian evidence?", *The International Journal of Public Sector Management*, Vol. 20 No.2, pp.134 - 146.

Marenakos, L. (2011), *Accountability Matters*, Blackbaud, Charleston, SC.

Mitchell, R. K. and Agle, B. R. (1997), "Stakeholder identification and salience: Dialogue and operationalization", in Weber, J. and Rehbine, K. (Eds), *International association for business and society 1997 proceedings*, *in Destin, Florida,* 1997, pp. 365-370.

Mitchell, R. K., Agle, B. R. and Wood, D. J. (1997), "Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts", *Academy of Management Review*, Vol. 22 No. 4, pp. 853-886.

Mulgan, R. (2003), *Holding Power To Account: Accountability in Modern Democracies*, New York, NY: Palgrave MacMillan.

Murtaza, N. (2012), "Putting the last first: The case for community-focused and peer-managed NGO accountability mechanisms", *Voluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 23 No. 1, pp. 109-125.

Najam, A. (1996), "NGO accountability: A conceptual framework", *Development Policy Review*, Vol. 14 No. 4, pp. 339-354.

Napoli, J. (2006), "The impact of nonprofit brand orientation on organizational performance", *Journal of Marketing Management*, Vol. 22 No. 7/8, pp. 673-694.

Neville, B., Bell, S. and Whitwell, G. (2011), "Stakeholder salience revisited: Refining, redefining, and refueling an underdeveloped conceptual tool", *Journal of Business Ethics*, Vol. 102 No. 3, pp. 357-378.

Neville, B. and Menguc, B. (2006), "Stakeholder multiplicity: Toward an understanding of the interactions between stakeholders", *Journal of Business Ethics*, Vol. 66 No. 4, pp. 377-391.

Novak, J., Berg, C. and Wilson, T. (2010), "The impact and cost of health sector regulation", Australian Centre for Health Research, South Melbourne, Victoria.

O'Dwyer, B. (2005), "The construction of a social account: A case study in an overseas aid agency", *Accounting, Organizations and Society*, Vol. 30 No. 3, pp. 279-296.

O'Dwyer, B. and Unerman, J. (2007), "From functional to social accountability", *Accounting, Auditing & Accountability Journal*, Vol. 20 No. 3, pp. 446-471.

O'Dwyer, B. and Unerman, J. (2008), "The paradox of greater NGO accountability: A case study of Amnesty Ireland", *Accounting, Organizations and Society*, Vol. 33 No. 7/8, pp. 801-824.

O'Dwyer, B. and Unerman, J. (2010), "Enhancing the role of accountability in promoting the rights of beneficiaries of development NGOs", *Accounting & Business Research,* Vol. 40 No. 5, pp. 451-471.

O'Regan, K. and Oster, S. M. (2005), "Does the structure and composition of the board matter? The case of nonprofit organizations", *Journal of Law, Economics, and Organization,* Vol. 21 No. 1, pp. 205-227.

Oakes, L. S. and Young, J. J. (2008), "Accountability re-examined: Evidence from Hull House", *Accounting, Auditing & Accountability Journal,* Vol. 21 No. 6, pp. 765-790.

Palmer, P.D. (2013), "Exploring attitudes to financial reporting in the Australian not-for-profit sector", *Accounting & Finance*, Vol. 53 No. 1, pp. 217-241.

Parent, M. and Deephouse, D. (2007), "A case study of stakeholder identification and prioritization by managers", *Journal of Business Ethics,* Vol. 75 No. 1, pp. 1-23.

Pfeffer, J. and Salancik, G. R. (1978), *The External Control of Organizations: A Resource Dependence Perspective*, New York, NY: Harper & Row.

Podsakoff, P. M., MacKenzie, S. B., Lee, J.-Y. and Podsakoff, N. P. (2003), "Common method biases in behavioural research: A critical review of the literature and recommended remedies", *Journal of Applied Psychology*, Vol. 88 No. 5, pp. 879-903.

Productivity Commission. (2010), *Contribution of the Not-for-Profit Sector*, Commissioned study, Productivity Commission, Australian Government, Canberra.

Regulatory Institutions Network (2012), "Reghealth", Australian National University, available at: http://regnet.anu.edu.au/reghealth/home (accessed 3 July 2012).

Ritchie, W. J., Kolodinsky, R. W. and Eastwood, K. (2007), "Does executive intuition matter? An empirical analysis of its relationship with nonprofit organization financial performance", *Nonprofit and Voluntary Sector Quarterly,* Vol. 36 No. 1, pp. 140-155.

Roberts, E. S. (1999), "In defence of the survey method: An illustration from a study of user information satisfaction", *Accounting & Finance*, Vol. 39 No.1, pp. 53-79.

Roberts, R. W. (1992), "Determinants of corporate social responsibility disclosure: An application of stakeholder theory", *Accounting, Organizations and Society,* Vol. 17 No. 6, pp. 595-612.

Roome, N. and Wijen, F. (2006), "Stakeholder power and organizational learning in corporate environmental management", *Organization Studies*, Vol. 27 No. 2, pp. 235-263.

Ryan, C. and H. Irvine (2012a), "Accountability beyond the headlines: Why not-for-profit organizations need to communicate their own expenditure stories", *Australian Accounting Review,* Vol. 22 No. 4, pp. 353-370.

Ryan, C. and H. Irvine (2012b), "Not-for-profit ratios for financial resilience and internal accountability: A study of Australian international aid organizations", *Australian Accounting Review*, Vol. 22 No. 2, pp. 177-194.

Salamon, L. M. (1995), *Partners in Public Service: Government-nonprofit Relations in the Modern Welfare State,* Johns Hopkins University Press, Baltimore, MD.

Saxton, G. D. (2005), "The participatory revolution in nonprofit management: The emerging participatory society and its implications for nonprofit organization, governance, and management", *The Public Manager,* Vol. 34, pp. 34-39.

Saxton, G. D. and Guo, C. (2011), "Accountability online: Understanding the web-based accountability practices of nonprofit organizations", *Nonprofit and Voluntary Sector Quarterly,* Vol. 40 No. 2, pp. 270-295.

Scott, S. G. and Lane, V. R. (2000), "A stakeholder approach to organizational identity", *The Academy of Management Review,* Vol. 25 No. 1, pp. 43-62.

Sen, B. (1987), "NGO self-evaluation: Issues of concern", *World Development,* Vol. 15 No. Supplement 1, pp. 161-167.

Senate Standing Committee on Economics. (2008), *Disclosure Regimes for Charities and Not-for-profit Organizations*, The Senate, Commonwealth of Australia, Canberra.

Shea, C. and Sitar, S. (2004), "NGO accreditation and certification: The way forward? An evaluation of the development community's experience", International Center for Not-for-Profit Law, Washington, D.C.

Sinclair, R., Hooper, K. and Ayoub, S. (2010), "Perspectives of accountability in charities", Working Paper, Department of Accounting, AUT University, Auckland.

Suchman, M. C. (1995), "Managing legitimacy: Strategic and institutional approaches", *The Academy of Management Review,* Vol. 20 No. 3, pp. 571-610.

Tabachnick, B. G. and Fidell, L. S. (2001), *Using Multivariate Statistics*, Boston, MA: Allyn and Bacon.

Thomson, D. E. (2010), "Exploring the role of funders' performance reporting mandates in nonprofit performance measurement", *Nonprofit and Voluntary Sector Quarterly,* Vol. 39 No. 4, pp. 611-629.

Unerman, J. and O'Dwyer, B. (2006a), "Theorising accountability for NGO advocacy", *Accounting, Auditing & Accountability Journal,* Vol. 19 No. 3, pp. 349 - 376.

Unerman, J. and O'Dwyer, B. (2006b), "On James Bond and the importance of NGO accountability", *Accounting, Auditing & Accountability Journal,* Vol. 19 No. 3, pp. 305 - 318.

Unerman, J. and O'Dwyer, B. (2010), "NGO accountability and sustainability issues in the changing global environment", *Public Management Review,* Vol. 12 No. 4, pp. 475-486.

Van der Stede, W. A., Young, S. M. and Chen, C. X. (2005), "Assessing the quality of evidence in empirical management accounting research: The case of survey studies", *Accounting, Organizations and Society*, Vol. 30 No. 7–8, pp. 655-684.

Weerawardena, J., McDonald, R. E. and Mort, G. S. (2010), "Sustainability of nonprofit organizations: An empirical investigation", *Journal of World Business*, Vol. 45 No. 4, pp. 346-356.

Wellens, L. and Jegers, M. (2011), "Beneficiaries' participation in nonprofit organizations: A theory-based approach", *Public Money & Management*, Vol. 31 No. 3, pp. 175-182.

Wenar, L. (2006), "Accountability in international development aid", *Ethics & International Affairs*, Vol. 20 No. 1, pp. 1-23.

Winn, M. I. and Keller, L. R. (2001), "A modeling methodology for multiobjective multistakeholder decisions – implications for research", *Journal of Management Inquiry*, Vol. 10 No. 2, pp. 166–181.

Woodward, S. and Marshall, S. (2004), "A better framework: Reforming not-for-profit regulation", Public Law Research Paper No. 70, Centre for Corporate Law and Securities Regulation, University of Melbourne, Melbourne, Victoria.

Table 1 Ebrahim's (2003a) accountability mechanisms framework

Accountability mechanisms	*Accountability to whom?*	*Inducement (internal or external)*
Reports and disclosure statements	- Upward to funding agents - Downward (to a lesser degree) to clients and members that read reports	- Legal requirement - Tax status - Funding requirement (external threat of loss of funding or tax status)
Performance assessment and evaluation	- Upward to funding agents - Downward to the public (potentially)	- Funding requirement (external) - Potential to become a learning tool (internal)
Self-regulation	- Lateral to themselves - Upward to funding agents - Downward to clients (potentially)	- Erosion of public confidence due to scandals and exaggeration of accomplishments (external loss of funds; internal loss of reputation)
Participation	- Downward to clients and the public - Lateral to themselves	- Organizational values (internal) - Funding requirement (external)

Adapted from Ebrahim (2003a), Ebrahim (2010) and Agyemany et al. (2009)

Table 2 Sampling and response rates

Industry	*Target*	*Sample population*	*Responses*	*Response rate*
Health	98	75	47	62.7%
Education	280	137	102	74.5%
Multi-services	73	43	34	79.1%
Religious	51	21	16	76.2%
Community services	100	63	41	65.1%
Social services	100	53	39	73.6%
Disability services	44	23	16	69.6%
Accommodation	63	34	24	70.6%
Miscellaneous[a]	82	57	39	68.4%
Classification not known[b]	650	368	263	71.5%
Total	1541	874	621	71.1%

[a] 'Miscellaneous' consists of various industries that contained a small number of organizations, e.g., animal welfare, recreational services, etc.
[b] 'Classification not known' represents organizations whose industry classification was not provided by the online databases.

Table 3 Descriptive statistics

Variables	Theoretical/Observed range	Mean	Std. Deviation
MEC1	1-7	6.31	1.070
MEC2	1-7	4.89	1.915
MEC3	1-7	5.24	1.801
MEC4	1-7	5.13	1.468
PG	1-7	5.50	1.760
PI	1-7	4.09	1.904
PD	1-7	3.66	1.892
PC	1-7	4.91	1.661
SG	2-14	10.03	3.140
SI	2-14	8.04	3.334
SD	2-14	7.37	3.291
SC	2-14	11.07	2.881
R_C	0-100%	21.31%	32.19%
R_F	0-100%	11.83%	25.75%
R_E	0-100%	56.53%	38.33%

Variable description:

MEC1 = the use of reports and disclosure statements
MEC2 = the use of performance assessment and evaluation
MEC3 = the use of self-regulation
MEC4 = the use of participation
PG = government power
PI = institutional donor power
PD = individual donor power
PC = client power
SG = government salience
SI = institutional donor salience
SD = individual donor salience
SC = client salience
R_C = the proportion of clients on a board
R_F = the proportion of funding agents on a board
R_E = the proportion of elites on a board

Table 4 Correlation matrix

		Dependent variables (1-4)				Independent variables (5 – 12)								Control variables (13 -18)				
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1.	MEC1																	
2.	MEC2	.295**																
3.	MEC3	.225**	.379**															
4.	MEC4	.241**	.304**	.255**														
5.	PG	.037	.196**	.056	.008													
6.	PI	-.065	.011	-.041	.090	.163**												
7.	PD	-.063	-.042	.037	.174**	-.083	.557**											
8.	PC	.023	.119**	.037	.225**	.197**	.098	.162**										
9.	SG	.124**	.192**	.099*	.072	.498**	.073	.046	.110*									
10.	SI	-.049	-.076	-.020	.012	.147**	.592**	.363**	-.017	.324**								
11.	SD	-.049	-.030	.096	.073	.042	.438**	.619**	.060	.274**	.654**							
12.	SC	-.001	.056	.020	.085	.201**	.031	.052	.395**	.307**	.146**	.242**						
13.	SIZE	.046	.301**	.067	-.050	.185**	-.034	-.116*	.073	.098*	-.046	.000	.077					
14.	R_C	.008	-.118**	-.092*	.085*	-.023	-.110*	-.129*	.086	-.064	-.098	-.147**	.054	-.159**				
15.	R_F	-.006	-.041	.019	.101*	-.025	.181**	.169**	.005	-.008	.086	.115*	.003	-.142**	-.085*			
16.	R_E	.034	.202**	.085*	-.094*	.059	.036	.060	-.061	.065	.088	.106*	-.059	.211**	-.488**	-.286**		
17.	EDU	-.052	.023	.030	-.004	.043	.016	-.030	.033	.021	.010	-.043	-.020	.045	.103*	-.005	-.112**	
18.	HEALTH	.031	.182**	.132**	-.018	.048	.006	-.041	.059	.059	-.009	-.058	.093*	.179**	-.086*	-.155**	.195**	-.409**

[a] significance levels: *p<0.05, **p<0.01

Variable description: MEC1 = the use of reports and disclosure statements, MEC2 = the use of performance assessment and evaluation, MEC3 = the use of self-regulation, MEC4 = the use of participation, PG = government power, PI = institutional donor power, PD = individual donor power, PC = client power, SG = government salience, SI = institutional donor salience, SD = individual donor salience, SC = client salience, SIZE = organizational size (= 1 if the total revenue in the previous year was < $250,000; = 2 if between $250,000 - $1million; = 3 if > $1million; = 4 if > $50million), R_C = the proportion of clients on a board, R_F = the proportion of funding agents on a board, R_E = the proportion of elites on a board, EDU = education industry (= 1 if the organization was classified under the education industry, otherwise = 0), HEALTH = health industry (= 1 if the organization was classified under the health or social services industry, otherwise = 0).

Table 5 OLS regressions for Model A (H1a – H4a)

	MEC1		MEC2		MEC3		MEC4	
	β	t-statistic	β	t-statistic	β	t-statistic	β	t-statistic
(Constant)		17.016***		4.931***		8.750***		9.333***
PG	-.034	-.548	.111	1.873^{+}	.100	1.633	-.025	-.414
PI	-.032	-.424	.012	.173	-.079	-1.073	.104	1.442
PD	-.032	-.432	-.055	-.779	.028	.391	.036	.501
PC	.044	.721	.068	1.167	-.012	-.200	.225	3.793***
SIZE	.069	1.102	.122	2.038*	-.032	-.513	-.068	-1.124
R_F	-.071	-1.082	.038	.605	.170	2.603*	.030	.469
R_E	-.070	-.934	.100	1.392	.070	.945	-.030	-.410
R_C	-.044	-.629	-.096	-1.437	-.036	-.524	-.029	-.435
EDU	-.026	-.386	.094	1.481	.090	1.377	-.045	-.704
HEALTH	-.043	-.632	.128	1.970	.098	1.448	-.035	-.534

[a] N = 313 (listwise deletion)

[b] significance levels: $^{+}$p<0.10, *p<0.05, **p<0.01, ***p<0.001

Variable description:

MEC1 = the use of reports and disclosure statements
MEC2 = the use of performance assessment and evaluation
MEC3 = the use of self-regulation
MEC4 = the use of participation
PG = government power
PI = institutional donor power
PD = individual donor power
PC = client power
SIZE = organizational size (= 1 if the total revenue in the previous year was < $250,000; = 2 if between $250,000 - $1million; = 3 if > $1million; = 4 if > $50million)
R_F = the proportion of funding agents on a board
R_E = the proportion of elites on a board
R_C = the proportion of clients on a board
EDU = education industry (= 1 if the organization was classified under the education industry, otherwise = 0)
HEALTH = health industry (= 1 if the organization was classified under the health or social services industry, otherwise = 0)

Table 6 OLS regressions for Model B (H1b – H4b)

	MEC1		MEC2		MEC3		MEC4	
	β	t-statistic	β	t-statistic	β	t-statistic	β	t-statistic
(Constant)		13.903**		5.108***		8.436**		9.479***
SG	.103	1.567	.188	2.968**	.145	2.248*	.073	1.116
SI	-.036	-.441	-.174	-2.195*	-.218	-2.684**	-.022	-.271
SD	-.024	-.294	.045	.583	.165	2.077*	.024	.293
SC	-.029	-.452	-.049	-.799	-.079	-1.261	.021	.324
SIZE	.096	1.521	.145	2.406*	-.035	-.560	-.074	-1.178
R_F	-.042	-.652	.057	.907	.160	2.509*	.091	1.396
R_E	-.061	-.796	.099	1.344	.056	.746	-.039	-.503
R_C	.012	.167	-.060	-.882	-.043	-.611	-.041	-.579
EDU	-.088	-1.279	.081	1.225	.088	1.308	-.005	-.068
HEALTH	-.059	-.842	.157	2.314*	.157	2.275*	.047	.671

[a] N = 296 (listwise deletion)

[b] significance levels: *p<0.05, **p<0.01, ***p<0.001

Variable description:

MEC1 = the use of reports and disclosure statements
MEC2 = the use of performance assessment and evaluation
MEC3 = the use of self-regulation
MEC4 = the use of participation
SG = government salience
SI = institutional donor salience
SD = individual donor salience
SC = client salience
SIZE = organizational size (= 1 if the total revenue in the previous year was < $250,000; = 2 if between $250,000 - $1million; = 3 if > $1million; = 4 if > $50million)
R_F = the proportion of funding agents on a board
R_E = the proportion of elites on a board
R_C = the proportion of clients on a board
EDU = education industry (= 1 if the organization was classified under the education industry, otherwise = 0)
HEALTH = health industry (= 1 if the organization was classified under the health or social services industry, otherwise = 0)

CHAPTER 5

SUMMARY AND CONCLUSIONS

1. Introduction

This thesis was motivated by the vital role that not-for-profit organizations (NFPs) play in economic and social functioning in Australia and internationally, by interested parties' increasing expectations and demands for the sector's accountability, and by calls for more research on NFPs. Specifically, the thesis responded to the importance of stakeholder analysis and accountability in NFPs in Australia, where ongoing regulatory reforms are taking place following several governmental inquiries and reviews made into the sector, and the establishment of the sector's national regulator, the Australian Charities and Not-for-profits Commission (ACNC).

A review of the stakeholder and not-for-profit (NFP) accountability literature indicated three gaps that needed to be addressed, that is, an absence of a measure for Jones et al.'s (2007) typology of stakeholder culture, a lack of a comprehensive analysis of 'to whom' NFPs owe accountability and how NFPs account to stakeholders. Filling in these gaps, the thesis aimed to (1) construct and validate a measure of Jones et al.'s (2007) stakeholder culture; (2) identify salient stakeholders in the Australian NFP sector and test Mitchell et al.'s (1997) framework on the relation between stakeholder attributes and stakeholder salience; and (3) identify and examine the accountability mechanisms used by Australian NFPs based on Ebrahim's (2003) framework of accountability mechanisms. Since the thesis follows a PhD by publication format, the aims of the thesis were addressed in three stand-alone but inter-related papers.

Data for the thesis were collected from the top management of 874 Australian NFPs via a mail survey and a 71.1% response rate was achieved (i.e., 621 usable data points). The remaining sections of this chapter are organized as follows. Section 2 presents the findings of the thesis for each of the issues examined in the stand-alone papers, and in combination. A discussion of the theoretical and practical contributions and implications of the thesis

follows in Section 3. The final section summarizes the limitations of the thesis and points to directions for future research.

2. Findings

2.1 Stakeholder culture of NFPs

The first paper of this thesis took the first steps in constructing and validating a measure to quantify Jones et al.'s (2007) typology of stakeholder culture. The exploratory factor analysis (EFA) results demonstrated that, for the NFPs examined, top management identified five statistically significant stakeholder cultures: Altruist_clients, Moralist, Corporate Egoist, Instrumentalist and Altruist_general. Among these five cultures, Altruist_clients was the most strongly perceived stakeholder culture across Australian NFPs, as it accounted for the greatest amount of the total variance. Confirmatory factor analysis (CFA) tested a four-factor model based on *a priori* theory (i.e., Jones et al. (2007)), by combining Altruist_client and Altruist_general under a second-order factor named 'Altruist'. Evidence was found of internal consistency, construct validity (convergent and discriminant validity) and predictive validity.

Paper 1 also found a significant relation between top management's values and stakeholder culture in the NFP context. Although this relation was explored with the purpose of testing the predictive validity of the measure, the result also provides further empirical support for the theoretical model in the general management and organizational literature that proposes a relation between personal and organizational characteristics (Hambrick & Mason, 1984; Trice & Beyer, 1993), as well as demonstrating this relation in the specific context of NFPs.

Jones et al. (2007) group the corporate egoist and instrumentalist stakeholder cultures under the broad category of 'limited morality: moral stewardship' and the moralist and altruist cultures under the 'broadly moral' category, given the expected similarities between the individual stakeholder cultures within these two groups. Contrary to this

expectation, the results showed that the moralist stakeholder culture was correlated negatively with the altruist stakeholder culture, but positively with the corporate egoist and instrumentalist stakeholder cultures. This finding suggests that the moralist stakeholder culture may have a different meaning in the NFP context. This can be explained by the fact that organizations in the for-profit setting are considered other-regarding (moralist) when they are usually considerate of all stakeholders, but not so when they face financial stress or economic crisis. In contrast, compromising the pursuit of mission and the interests of clients in cases of financial stress or crisis may be seen as self-interest in NFPs, which are supposed to be mission/client-centered at all times.

2.2 Stakeholder salience in NFPs

The second paper of the thesis examined the salience of stakeholders as perceived by NFP management in Australia and addressed the 'to whom' question in Lee's (2004) accountability framework, that is, to which stakeholders do NFPs account. The paper found that clients were seen by NFP management as the most salient stakeholder group, followed by government, employees, members, institutional donors, volunteers and individual donors. The primacy of client salience was supported by clients being seen as a powerful stakeholder group whose claims were also seen as the most morally legitimate and urgent. This finding is consistent with that of prior studies that show that clients are considered as morally legitimate (Cordery & Baskerville, 2011; Palmer, 2013); however, it did not support the view that clients are discretionary stakeholders that lack power or urgency (Baulderstone, 2007; Kilby, 2006; Palmer, 2013).

The results in Paper 2 also supported the relevance and application of Mitchell et al.'s (1997) framework and propositions in the NFP context by showing that the stakeholder attributes of power and urgency were positively and significantly related to stakeholder salience for all seven key stakeholders studied (i.e., clients, government, institutional donors, individual donors, employees, members and volunteers). This result is consistent

with prior studies that found a significantly positive relation between the stakeholder attributes of power and urgency and stakeholder salience. Conversely, the proposed positive relation between the stakeholder attribute of moral legitimacy and stakeholder salience received limited support in this paper, departing from the findings in prior for-profit studies that have found all three attributes to be related to salience (Agle et al., 1999; Boesso & Kumar, 2009). The results supported Parent and Deephouse's (2007) finding that the importance of legitimacy is ranked after power and urgency in NFPs. This suggests that in the minds of NFP management, power and urgency are the primary drivers of stakeholder salience across all stakeholder groups.

While Agle et al.'s (1999) findings provided partial support for the moderating role of top management's values (CEO values) in the for-profit context (for the stakeholder groups of employees and customers only), the results in Paper 2 provided no evidence of its moderating effects in the NFP context. In contrast, stakeholder culture showed its moderating effect for some stakeholder groups (volunteers and members) in that other-regarding stakeholder culture moderates the relation between moral legitimacy and stakeholder salience for the two stakeholder groups. That means for other-regarding NFPs, the more morally legitimate volunteers and members are, the more salient they will be perceived by the top management.

2.3 Accountability mechanisms in NFPs

The third paper of the thesis examined the use of accountability mechanisms in NFPs and factors associated with their use. The results indicated that, among the four accountability mechanisms examined, reports and disclosure statements were used to the greatest extent, followed by self-regulation, participation, and performance assessment and evaluation. The results indicated that, overall, NFPs prioritized their upward accountability to funding agents over their downward accountability to clients, although they viewed clients as the most salient stakeholder group. This finding conforms to the predominant finding in the

literature that NFPs in reality make greater use of accountability mechanisms to funding agents than they do to clients, despite their desire to account to clients (Najam, 1996; Dillon, 2003/4; Baulderstone, 2007; O'Dwyer & Unerman, 2007). The finding also agrees with Baulderstone's (2007) conclusion that NFP accountability is largely driven by funding agents' requirements or expectations.

The results for the relation between two competing stakeholder characteristics (i.e., stakeholder power and stakeholder salience) and the use of accountability mechanisms present two interesting dimensions to NFP accountability practices. On the one hand, funding agents' salience appears to play an important role in the use of upward accountability mechanisms in general. The results indicate that government salience was found to be positively related to the use of upward accountability mechanisms of performance assessment and evaluation and self-regulation. These results are consistent with the finding that, among the three groups of funding agents (government, institutional donors and individual donors), government was seen as the most salient, based on its perception as the most powerful stakeholder and its claims as urgent. The results also indicated that the salience of individual donors was positively related to the use of self-regulation. This can be explained by the facts that individual donors care about how and where NFPs spend donated financial resources (Berman & Davidson, 2003) and that "self-regulation can also be a condition for donor funding" (Gugerty et al., 2010, p.1029).

In contrast, variations in the use of the downward accountability mechanism of participation was positively related to, and explained by, client power, not client salience. The reason that client power rather than salience was associated with the greater use of participation is likely explained by the fact that NFPs' relationships with their clients are based on moral values rather than the contract-based relationships NFPs have with, for example, government. Although some NFPs (e.g., schools, hospitals and clubs) rely financially on revenue earned from clients, and see clients as a salient stakeholder group,

accountability to clients is largely built on the foundation of trust and often seen as discretionary by NFP management (Cordery & Baskerville, 2011; Kilby, 2006). Hence, clients' expectations of NFP accountability, including being involved as participants in the decision-making processes of the organization, can only be realized if and when clients possess power to demand accountability and participation (Wenar, 2006).

2.4 Conclusions in combination

The above findings in the three papers together allow several overarching conclusions to be drawn from the research of this thesis. The first is that NFPs adhere to the substantive values on which they are established and clients have an important status in NFPs' stakeholder management. NFPs demonstrated an altruist stakeholder culture (as found in Paper 1) and they perceived clients as the most salient stakeholder group (as found in Paper 2). Interestingly, because the finding deviates from a view that clients are discretionary stakeholders and, therefore, do not have power, clients were perceived to be powerful (as found in Paper 2). This is possibly due to the normative and utilitarian power that they may possess. Client power was demonstrated further in the use of accountability mechanisms as the downward accountability mechanism of participation was driven by client power, rather than client salience (as found in Paper 3).

The second conclusion relates to the significant roles that government plays in the NFP sector in Australia (as found in Papers 2 and 3). As a major funder of the sector, government provides a significant amount of financial resources to the sector (i.e., government possesses utilitarian/economic power), evidenced by direct funding of $25.5 billion in the 2006-2007 year and additional indirect funding through tax exemptions and concessions (Australian Government, 2011).

Not only is government the largest funder of NFPs in Australia, it also has the regulatory (coercive) power to impose more restrictive regulation on the sector, and its demands are seen by NFP management as requiring urgent attention. Cordery and Baskerville (2011)

argue that NFPs failing to satisfy government accountability requirements will face several reprisals, while sanctions are less likely to occur when NFPs fall short of the accountability requirements of other funding agents. The power and urgency attributes possessed by government explain why government is seen as more salient than institutional donors and individual donors, and government salience was found to drive NFPs' upward accountability to a greater extent than other stakeholders' salience (as found in Papers 2 and 3).

The third overarching conclusion is that NFPs in practice stressed the importance of discharging upward accountability to funding agents over their downward accountability to clients, although NFPs demonstrated a moral commitment to clients, who were seen as the most salient stakeholder group. This conclusion reinforces the findings of prior studies that there is a difference between NFP managers' 'preferences for accountability' and their 'discharge of accountability' (Cordery & Baskerville, 2011, p.203). Such a mismatch could result from the obstacles (e.g., scarce resource availability) NFPs face in discharging various accountabilities.

The desire of NFPs to account to clients is often suppressed due to the complex network of stakeholders they have (Baur & Schmitz, 2012), each with different or conflicting information needs. Unlike the consumers of the products and services of for-profit companies or the voting public for the government sector, clients in NFPs generally are not able to punish NFPs for their lack of accountability (Burger & Owens, 2010; Gurd & Palmer, 2010). Downward accountability becomes discretionary and "little more than 'grace or favour'" (Mulgan, 2003, p.137), since "there is no clearly defined path by which they can be held to account by that constituency" (Kilby, 2006, p.952). This is because, unlike funding agents, NFP clients, especially those that do not pay fees (LeRoux, 2009), lack the legal or economic power to hold NFPs to account (Lee, 2004; Lloyd & de las Casas, 2005; Najam, 1996). Further, funding agents impose various reporting

requirements on NFPs demanding them to account for how their money is spent, taking away the resources needed for the discharge of downward accountability (Baur & Schmitz, 2012; Edwards, 2010; Gurd & Palmer, 2010). Hence, NFPs often focus on discharging upward accountability to funding agents in order to avoid withdrawal of funding or sanctions for failing to meet funding agents' accountability requirements (Cordery & Baskerville, 2011).

3. Contributions and implications

3.1 Theoretical contributions and implications

This thesis makes three theoretical contributions and implications. First, the stakeholder culture scale developed in Paper 1 formed a parsimonious measure and representation of Jones et al.'s (2007) corporate egoist, instrumentalist, moralist and altruist stakeholder cultures that can be used in future studies that examine stakeholder culture in the for-profit, government or NFP context. While the scale, as constructed and worded based on Jones et al. (2007) and Victor and Cullen (1987; 1988), is capable of use in those three sectors, the findings of the research suggest that its application and interpretation may be context-specific and may require refinement and testing both generically and in specific contexts.

A second contribution of the thesis is that it is the first study that has applied and tested Mitchell et al.'s (1997) stakeholder salience framework, developed in the for-profit context, in the NFP sector and on a large scale. Additionally, the thesis is the first study that has tested the moderating roles of CEO values (Agle et al., 1999) and stakeholder culture (Jones et al., 2007) on Mitchell et al.'s (1997) stakeholder attribute-salience framework in the NFP sector. The results provided support for the relevance of Mitchell et al.'s (1997) framework in the NFP context and partial support for Jones et al.'s (2007) propositions of the moderating effect of stakeholder culture, thereby providing evidence of

the cross-context utility of these frameworks in future research generally and in the NFP context.

Similar to the cross-context implications of the findings for the stakeholder culture scale, the results of the study reveal interesting commonalities and differences in stakeholder salience in the NFP sector compared to Agle et al.'s (1999) results in the for-profit sector. The commonality is that clients (or customers) in both sectors were perceived as the most salient stakeholder group. Nevertheless, the underlying motives for this perception between the two sectors are different. While clients/customers in for-profit organizations were perceived as salient in Agle et al. (1999) mostly due to their direct impact on the profitability bottom line, clients were perceived by NFP management as salient because of their intimate link with an NFP's mission and hence its social bottom line.

One noticeable difference between the two sectors was the perceived salience levels of government. While government was seen as the second most salient stakeholder for NFPs, its salience level was ranked after customers, employees and shareholders in for-profit organizations (Agle et al., 1999). The difference is likely caused by the fact that government acts as a regulator only in the for-profit sector, while it has a dual role as a significant funder and regulator in the NFP sector, making government a highly salient stakeholder group in NFPs.

The overall non-significance of moral legitimacy found in the thesis research implies that differences exist in managerial perceptions of stakeholder salience between the NFP and for-profit sectors. Rather, the way in which NFP management prioritizes stakeholders may be similar to government and political/public sector practices, for which de Bussy and Kelly (2010) argue that legitimacy is the base for politicians to identify stakeholders, but it is power and urgency that really matter in practice as to whom they pay attention.

The third theoretical contribution of the thesis is that it also tested Ebrahim's (2003) NFP accountability mechanisms framework in Australian NFPs by using Mitchell et al.'s (1997) concepts of stakeholder power and salience. The results provide support for the utility of Ebrahim's (2003) accountability mechanisms framework generally, and for the specific propositions in the framework that performance assessment and evaluation and self-regulation are mechanisms that primarily discharge upward accountability to funding agents and that the mechanism of participation is a downward accountability mechanism for clients.

3.2 Practical contributions and implications

This thesis makes three practical contributions. Jones et al. (2007, p.137) contend that it is innate that managers encounter the tension between the self-interest and other-regarding sentiments in dealing with stakeholder decisions. The stakeholder culture scale developed in the first paper can be used by NFP management to resolve ethical issues related to stakeholders when and where a conflict arises. Although the scale is at the organizational level, it may also be used by NFP senior management to assess the ethical perspectives towards stakeholders espoused by line managers and employees.

Also, information provided by the second paper on how NFP management prioritizes stakeholders and what influences the prioritization will assist NFPs in establishing, prioritizing and improving accountability relationships with stakeholders. Specifically, this information and the results of the paper will assist NFPs in the formulation of strategies and goals that take into account the needs of salient stakeholders, which, in turn, will facilitate efficient resource allocation among competing stakeholder claims and improve organizational performance (Cummings & Patel, 2009; Neville et al., 2011). The third paper provides suggestions about how NFPs can balance multiple accountabilities and improve downward accountability to clients through participatory approaches.

In terms of the practical implications of this thesis, the findings firstly suggest to NFP stakeholders and regulators that despite the tension between self-interest and other-regarding sentiments that confronts NFPs and their management, and despite the accusation of mission creep or goal displacement in NFPs, NFPs uphold their substantive values toward mission and clients by portraying an altruist stakeholder culture and viewing clients as the most salient stakeholder group. These altruistic values held by NFPs are what fundamentally justify the legitimacy of the sector (Nevile, 2009).

Secondly, NFP management is placed in the difficult position of needing to satisfy and account to multiple stakeholders across a broad range of accountability criteria. In order to sustain trust and support from various stakeholders, it is important that NFPs adhere to an altruist stakeholder culture. This is because it is the very altruistic nature of such organizations that attracts the support of their stakeholders (Malloy & Agarwal, 2010). As indicated by the finding that the values of NFPs' top management were significantly related to NFPs' stakeholder culture, one of the ways in which an NFP can build or maintain an altruist stakeholder culture is for NFPs to employ other-regarding leaders, who are ultimately responsible for shaping the stakeholder culture of the organization.

Thirdly, the 'stake' of stakeholders comes in different sizes (Hill & Jones, 1992, p.133). To allocate scarce organizational resources effectively and efficiently, NFP management needs to assess the salience of each identified stakeholder, and prioritize their claims strategically. Given that clients are perceived as the most salient stakeholder group in NFPs, their accountability requirements and expectations need to be further incorporated in NFP's strategic planning. Doing so will also help NFPs align their practices with their underlying stakeholder culture. In particular, what is needed for NFPs is to hold themselves more accountable to clients by using participatory mechanisms. As Wellens and Jegers (2011) suggest, client participation has the potential to improve NFP services, help achieve organizational goals and also enhance NFPs' legitimacy.

Fourthly, the findings of the thesis have important implications for government and the newly-established Australian Charities and Not-for-profits Commission (ACNC), as NFPs' regulatory body. As Larratta (2011, p.44) claims, "a major complaint in the literature on the non-profit sector is that non-profit organizations' (NPO) mission-based activities are in constant jeopardy because of the pressure put on them by statutory accountability demands". Similarly, practitioners in the NFP sector have expressed their concerns about the excessive resources spent on satisfying funders' information demands, rather than being spent on activities that fulfill an organization's mission (Senate Standing Committee on Economics, 2008). Thus, upward accountability to funders or regulators may crowd out the resources available for NFPs' 'core activities' (Palmer, 2013) and the discharge of downward accountability (Kilby, 2006). This concern was also expressed by several survey respondents who provided further comments, at the end of the survey questionnaire, about their experience in dealing with stakeholders.

The findings of the thesis, and the concerns expressed by NFP practitioners and researchers, suggest that regulators should take into account NFPs' underlying ethical values (e.g., their stakeholder culture) in considering the sector's reforms. The new reporting and accountability requirements to be introduced with and through the ACNC should not undermine NFPs' ability to achieve their mission or discharge their downward accountability. In particular, it is important not to mandate excessive or inappropriate accountability mechanisms on NFPs, which may be destructive or counterproductive to an NFP's organizational aims (Gray et al., 2006; O'Dwyer & Unerman, 2008; Unerman & O'Dwyer, 2010). Future regulatory reforms in the sector should consider explicitly incorporating the needs of clients in formulating accountability requirements.

4. Limitations and suggestions for future research

The overall research for this thesis is subject to at least four limitations. The first limitation is that the study examined only NFPs with the legal form of company limited by

guarantee. This choice had two advantages: (a) matching the corporate context in which Jones et al.'s (2007) stakeholder culture typology and Mitchell et al.'s (1997) stakeholder identification and salience framework were proposed; and (b) allowing variations in Ebrahim's (2003) accountability mechanisms to be examined while controlling for differences in the legal form of the organization. Although the sample size was considerably large, limiting the examination to NFPs of one legal form may restrict the generalizability of the results into the NFP sector as a whole. Future studies may examine other types of NFPs to provide a fuller picture of the accountability issues examined in this thesis. For instance, future research may expand the current research into incorporated associations. It is estimated that there were about 136,000 incorporated associations in the NFP sector in Australia in the 2008-2009 financial period (Australian Government, 2011). Expanding the scope of the examination is important to cross-validate the stakeholder culture scale (as constructed in Paper 1) in a broader NFP context.

Comparisons of stakeholder prioritization and accountability practices (in Papers 2 and 3) between companies limited by guarantee and incorporated associations would also assist the regulators to assess the need for standardizing or making uniform the legal forms of NFPs in Australia, which was a recommendation made by the 2008 Senate Inquiry. It was found in Paper 3 that the mechanism of reports and disclosure statements was widely used by NFPs, but neither funding agents' power nor salience was found to significantly affect its use. This finding was attributable to the fact that the majority of the NFPs examined in this thesis were medium and large companies, which had to report to the Australian Securities and Investments Commission (ASIC) as part of the mandatory reporting requirements in 2012. Therefore, broadening the scope of the examination to NFPs of other legal forms will also allow further examination of the drivers of the use of reports and disclosure statements.

Secondly, a self-administered survey questionnaire was used to collect the data and, as such, the thesis is subject to the general limitations of the survey method, one of which is that it only gathers information at a point in time. Hence, the survey cannot capture the dynamic nature of stakeholder salience (Hsieh, 2010; Mitchell et al., 1997; Parent & Deephouse, 2007) or the impact of changing stakeholder salience on the use of accountability mechanisms (relevant to Papers 2 and 3). Future research can conduct longitudinal case studies to investigate how changes in stakeholder salience lead to changes in accountability practices of NFPs (Jeurissen, 2004; Winn & Keller, 2001).

A third limitation of the thesis is that the survey only solicited the perspectives of NFPs' top management. Although top managers represent an organization and are considered the most suitable survey participants to provide information on their organizations' stakeholder culture, stakeholder salience and accountability mechanisms, the information gathered may be subjective and may not fully reflect the practices of an organization. Future studies can collect the views of employees and management of different levels to examine within-organization agreement.

Fourthly, the dual roles of government as the sector's funder and regulator were not disentangled in this thesis. Future studies can address this limitation in order to provide an insight into these roles and explore which of the roles exerts a greater impact on government's status as a stakeholder and on the accountability mechanisms used by NFPs (relevant to Papers 2 and 3).

References

Agle, B. R., Mitchell, R. K. and Sonnenfeld, J. A. (1999), "Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values", *Academy of Management Journal,* Vol. 42 No. 5, pp. 507-525.

Australian Charities and Not-for-Profits Commission (2014), "What is a not-for-profit?", available at: https://www.acnc.gov.au/ACNC/Register_my_charity/Who_can_register/What_is_NFP/ACNC/Reg/What_is_NFP.aspx (accessed 1 July 2014).

Australian Government (2011), "Australian Charities and Not-for-profits Commission implementation taskforce" Commonwealth of Australia, available at: http://acnctaskforce.treasury.gov.au/content/Content.aspx?doc=about.htm (accessed 2 March 2012).

Baulderstone, J. (2007), "Accountability to service users: Rhetoric or reality?", *Third Sector Review,* Vol. 13 No. 1, pp. 9-19.

Baur, D. and Schmitz, H. (2012), "Corporations and NGOs: When accountability leads to co-optation", *Journal of Business Ethics,* Vol. 106 No. 1, pp. 9-21.

Berman, G. and Davidson, S. (2003), "Do donors care? Some Australian evidence", *Voluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 14 No. 4, pp. 421-429.

Boesso, G. and Kumar, K. (2009), "Stakeholder prioritization and reporting: Evidence from Italy and the US", *Accounting Forum,* Vol. 33 No. 2, pp. 162-175.

Burger, R. and Owens, T. (2010), "Promoting transparency in the NGO sector: Examining the availability and reliability of self-reported data", *World Development,* Vol. 28 No. 9, pp. 1263-1277.

Collier, P. M. (2008), "Stakeholder accountability", *Accounting, Auditing & Accountability Journal,* Vol. 21 No. 7, pp. 933-954.

Cordery, C. and Baskerville, R. (2011), "Charity transgressions, trust and accountability", *Voluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 22 No. 2, pp. 197-213.

Cummings, L. S. and Patel, C. (2009), Chapter 4 Development and Stakeholder Prominence, in Cummings, L.S. and Patel C. (Eds), *Managerial Attitudes toward a Stakeholder Prominence within a South-East Asia Context*. United Kingdom: Emerald Group Publishing, pp. 89-112.

de Bussy, N. M. and Kelly, L. (2010), "Stakeholders, politics and power: Towards an understanding of stakeholder identification and salience in government", *Journal of Communication Management,* Vol. 14 No. 4, pp. 289-305.

Dillon, E. (2003/4), "Accountabilities and power in development relationships", *Trocaire Development Review*, pp. 105-117.

Ebrahim, A. (2003), "Accountability in practice: Mechanisms for NGOs", *World Development,* Vol. 31 No. 5, pp. 813-829.

Edwards, M. (2010), *Small Change. Why Business Won't Save the World*, San Francisco, CA: Berrett-Koehler Publishers.

Gray, R., Bebbington, J. and Collison, D. (2006), "NGOs, civil society and accountability: Making the people accountable to capital", *Accounting, Auditing & Accountability Journal,* Vol. 19 No. 3, pp. 319-348.

Gugerty, M. K., Sidel, M. and Bies, A. L. (2010), "Introduction to minisymposium: Nonprofit self-regulation in comparative perspective-themes and debates", *Nonprofit and Voluntary Sector Quarterly,* Vol. 39 No. 6, pp. 1027-1038.

Gurd, B. and Palmer, P. D. (2010), "Exploring accountability relationships in the NFP sector", *The Sixth Asia Pacific Interdisciplinary Research in Accounting (APIRA) Conference*, The University of Sydney, Sydney, Australia.

Hambrick, D. C. and Mason, P. A. (1984), "Upper echelons: The organization as a reflection of its top managers", *Academy of Management Review,* Vol. 9 No. 2, pp. 193-206.

Hill, C. W. L. and Jones, T. M. (1992), "Stakeholder-agency theory", *Journal of Management Studies,* Vol. 29 No. 2, pp. 131-154.

Hsieh, J. (2010), "Strategic stakeholder orientations and performance consequences - a case of private nonprofit performing arts in the US", *International Journal of Nonprofit & Voluntary Sector Marketing,* Vol. 15 No. 1, pp. 13-27.

Jeurissen, R. (2004), "Institutional conditions of corporate citizenship", *Journal of Business Ethics,* Vol. 53 No. 1/2, pp. 87-96.

Jones, T. M., Felps, W. and Bigley, G. A. (2007), "Ethical theory and stakeholder-related decisions: The role of stakeholder culture", *Academy of Management Review*, Vol. 32 No. 1, pp. 137-155.

Kilby, P. (2006), "Accountability for empowerment: Dilemmas facing non-governmental organizations", *World Development,* Vol. 34 No. 6, pp. 951-963.

Laratta, R. (2011), "Ethical climate and accountability in nonprofit organizations", *Public Management Review,* Vol. 13 No. 1, pp. 43-63.

Lee, J. (2004), "NGO accountability: Rights and responsibilities", Programme on NGOs and Civil Society, Centre for Applied Studies in International Negotiations, Geneva, Switzerland.

LeRoux, K. (2009), "Managing stakeholder demands: Balancing responsiveness to clients and funding agents in nonprofit social service organizations", *Administration & Society,* Vol. 41 No. 2, pp. 158-184.

Lloyd, R. and de las Casas, L. (2005), *NGO Self-regulation: Enforcing and Balancing Accountability*, One World Trust, London.

Malloy, D., and Agarwal, J. (2010). "Ethical climate in government and nonprofit sectors: Public policy implications for service delivery". *Journal of Business Ethics,* Vol. 94 No. 1, pp. 3-21.

Mitchell, R. K., Agle, B. R. and Wood, D. J. (1997), "Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts", *Academy of Management Review*, Vol. 22 No. 4, pp. 853-886.

Moore, M. H. (2000), "Managing for value: Organizational strategy in for-profit, nonprofit, and governmental organizations", *Nonprofit and Voluntary Sector Quarterly*, Vol. 29 No. 1, pp. 183-208.

Mulgan, R. (2003), *Holding Power To Account: Accountability in Modern Democracies*, New York, NY: Palgrave MacMillan.

Najam, A. (1996), "NGO accountability: A conceptual framework", *Development Policy Review*, Vol. 14 No. 4, pp. 339-354.

Nevile, A. (2009), "Values and the legitimacy of third sector service delivery organizations: Evidence from Australia", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 20 No. 1, pp. 71-89.

Neville, B., Bell, S. and Whitwell, G. (2011), "Stakeholder salience revisited: Refining, redefining, and refueling an underdeveloped conceptual tool", *Journal of Business Ethics*, Vol. 102 No. 3, pp. 357-378.

Neville, B. and Menguc, B. (2006), "Stakeholder multiplicity: Toward an understanding of the interactions between stakeholders", *Journal of Business Ethics*, Vol. 66 No. 4, pp. 377-391.

O'Dwyer, B. and Unerman, J. (2007), "From functional to social accountability", *Accounting, Auditing & Accountability Journal*, Vol. 20 No. 3, pp. 446-471.

O'Dwyer, B. and Unerman, J. (2008), "The paradox of greater NGO accountability: A case study of Amnesty Ireland", *Accounting, Organizations and Society*, Vol. 33 No. 7/8, pp. 801-824.

Palmer, P. D. (2013), "Exploring attitudes to financial reporting in the Australian not-for-profit sector", *Accounting & Finance*, Vol. 53 No. 1, pp. 217-241.

Parent, M. and Deephouse, D. (2007), "A case study of stakeholder identification and prioritization by managers", *Journal of Business Ethics*, Vol. 75 No. 1, pp. 1-23.

Senate Standing Committee on Economics. (2008), *Disclosure Regimes for Charities and Not-for-profit Organizations*, The Senate, Commonwealth of Australia, Canberra.

Trice, H. M. and Beyer, J. M. (1993), *The Cultures of Work Organizations*, Englewood Cliffs, NJ: Prentice Hall.

Unerman, J. and O'Dwyer, B. (2010), "NGO accountability and sustainability issues in the changing global environment", *Public Management Review*, Vol. 12 No. 4, pp. 475-486.

Victor, B. and Cullen, J. B. (1987), "A Theory and Measure of Ethical Climate in Organizations", in Frederick, W. C (Ed.), *Research in Corporate Social Performance and Policy*. Greenwich, CT: JAI Press, pp. 51-71.

Victor, B. and Cullen, J. B. (1988), "The organizational bases of ethical work climates", *Administrative Science Quarterly,* Vol. 33, No. 1, pp. 101-125.

Wellens, L. and Jegers, M. (2011), "Beneficiaries' participation in nonprofit organizations: A theory-based approach", *Public Money & Management,* Vol. 31 No. 3, pp. 175-182.

Wenar, L. (2006), "Accountability in international development aid", *Ethics & International Affairs,* Vol. 20 No. 1, pp. 1-23.

Winn, M. I. and Keller, L. R. (2001), "A modeling methodology for multiobjective multistakeholder decisions – Implications for research", *Journal of Management Inquiry,* Vol. 10 No. 2, pp. 166–181.

Full reference list

Adams, S. and Simnett, R. (2011), "Integrated reporting: An opportunity for Australia's not-for-profit sector", *Australian Accounting Review,* Vol. 21 No. 3, pp. 292-301.

Agarwal, J. and Malloy, D. (1999), "Ethical work climate dimensions in a not-for-profit organization: An empirical study", *Journal of Business Ethics,* Vol. 20 No. 1, pp. 1-14.

Agle, B. R., Donaldson, T., Freeman, R. E., Jensen, M. C., Mitchell, R. K. and Wood, D. J. (2008), "Dialogue: Toward superior stakeholder theory", *Business Ethics Quarterly,* Vol. 18 No. 2, pp. 153-190.

Agle, B. R., Mitchell, R. K. and Sonnenfeld, J. A. (1999), "Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values", *Academy of Management Journal,* Vol. 42 No. 5, pp. 507-525.

Aguinis, H. (1995), "Statistical power with moderated multiple regression in management research", *Journal of Management,* Vol. 21 No. 6, pp. 1141-1158.

Agyemang, G., Awumbila, M., Unerman, J. and O'Dwyer, B. (2009), "NGO accountability and aid delivery", Commissioned report, The Association of Chartered Certified Accountants, London.

Alexander, J., Brudney, J. L. and Yang, K. (2010), "Introduction to the symposium: Accountability and performance measurement: The evolving role of nonprofits in the hollow state", *Nonprofit and Voluntary Sector Quarterly,* Vol. 39 No. 4, pp. 565-570.

Assad, M. J. and Goddard, A. R. (2010), "Stakeholder salience and accounting practices in Tanzanian NGOs", *International Journal of Public Sector Management*, Vol. 23 No. 3, pp. 276 – 299.

Australian Bureau of Statistics (2010), "Information paper: Non-profit institutions - a draft information development plan", Australian Bureau of Statistics, Canberra.

Australian Charities and Not-for-Profits Commission (2012), "Factsheet - developing a reporting framework (report-once, use-often)", available at: http://acnctaskforce.treasury.gov.au/content/publications/factsheets/downloads/Reporting_fact_sheet.pdf (accessed 30 December 2012).

Australian Government (2011), "Australian Charities and Not-for-profits Commission implementation taskforce" Commonwealth of Australia, available at: http://acnctaskforce.treasury.gov.au/content/Content.aspx?doc=about.htm (accessed 2 March 2012).

Australian Securities & Investments Commission (2010), "Companies limited by guarantee—simplified obligations", available at: http://www.asic.gov.au/asic/asic.nsf/byheadline/Companies+limited+by+guarantee-simplified+obligations?openDocument (accessed 5 March 2011).

Australian Taxation Office (2011), "List of definitions: Tax basics for non-profit organizations", Australian Government, available at: http://www.ato.gov.au/content/34228.htm (accessed 2 March 2011).

Awio, G., Northcott, D. and Lawrence, S. (2011), "Social capital and accountability in grass-roots NGOs: The case of the Ugandan community-led HIV/AIDS initiative", *Accounting, Auditing & Accountability Journal*, Vol. 24 No. 1, pp. 63-92.

Bagozzi, R. and Yi, Y. (1988), "On the evaluation of structural equation models", *Journal of the Academy of Marketing Science*, Vol. 16 No. 1, pp. 74-94.

Balser, D. and McClusky, J. (2005), "Managing stakeholder relationships and nonprofit organization effectiveness", *Nonprofit Management & Leadership*, Vol. 15 No. 3, pp. 295-315.

Barrett, M. (2001), "A stakeholder approach to responsiveness and accountability in non-profit organizations", *Social Policy Journal of New Zealand*, Vol. 17, pp. 36-51.

Baulderstone, J. (2007), "Accountability to service users: Rhetoric or reality?", *Third Sector Review*, Vol. 13 No. 1, pp. 9-19.

Baur, D. and Schmitz, H. (2012), "Corporations and NGOs: When accountability leads to co-optation", *Journal of Business Ethics*, Vol. 106 No. 1, pp. 9-21.

Benjamin, L. M. (2008), "Account space: How accountability requirements shape nonprofit practice", *Nonprofit and Voluntary Sector Quarterly*, Vol. 37 No. 2, pp. 201-223.

Benson, B. W. and Davidson, W. N. (2010), "The relation between stakeholder management, firm value, and CEO compensation: A test of enlightened value maximization", *Financial Management*, Vol. 39 No. 3, pp. 929-964.

Berman, G. and Davidson, S. (2003), "Do donors care? Some Australian evidence", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 14 No. 4, pp. 421-429.

Berson, Y., Oreg, S. and Dvir, T. (2008), "CEO values, organizational culture and firm outcomes", *Journal of Organizational Behaviour*, Vol. 29 No. 5, pp. 615-633.

Bies, A. L. (2010), "Evolution of nonprofit self-regulation in Europe", *Nonprofit and Voluntary Sector Quarterly*, Vol. 39 No. 6, pp. 1057-1086.

Boesso, G. and Kumar, K. (2009), "Stakeholder prioritization and reporting: Evidence from Italy and the US", *Accounting Forum*, Vol. 33 No. 2, pp. 162-175.

Boesso, G. and Michelon, G. (2010), "The effects of stakeholder prioritization on corporate financial performance: An empirical investigation", *International Journal of Management*, Vol. 27 No. 3, pp. 470-496.

Bouckaert, L. and Vandenhove, J. (1998), "Business ethics and the management of non-profit institutions", *Journal of Business Ethics*, Vol. 17 No. 9-10, pp. 1073-1081.

Brandl, J. and Güttel, W. (2007), "Organizational antecedents of pay-for-performance systems in nonprofit organizations", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 18 No. 2, pp. 176-199.

Brennan, N. M. and Solomon, J. (2008), "Corporate governance, accountability and mechanisms of accountability: An overview", *Accounting, Auditing & Accountability Journal*, Vol. 21 No. 7, pp. 885 - 906.

Brower, H. H. and Shrader, C. B. (2000), "Moral reasoning and ethical climate: Not-for-profit vs. for-profit boards of directors", *Journal of Business Ethics*, Vol. 26 No. 2, pp. 147-167.

Brown, D. J., Cober, R. T., Kane, K., Levy, P. E. and Shalhoop, J. (2006), "Proactive personality and the successful job search: A field investigation with college graduates", *Journal of Applied Psychology*, Vol. 91 No. 3, pp. 717–726.

Brown, L. D. and Moore, M. H. (2001), "Accountability, strategy and international nongovernmental organizations", *Nonprofit and Voluntary Sector Quarterly*, Vol. 30 No. 3, pp. 569-587.

Brown, T. A. (2003), "Confirmatory factor analysis of the Penn State Worry Questionnaire: Multiple factors or method effects?", *Behaviour Research and Therapy*, Vol. 41, pp. 1411–1426.

Bruce, I. (1995), "Do not-for-profits value their customers and their needs?", *International Marketing Review*, Vol. 12 No.4, pp. 77-84.

Christensen, J. (2004), Asking the Do-gooders to Prove They Do Good, *The New York Times*.

Bryson, J. M. (2004), "What to do when stakeholders matter", *Public Management Review*, Vol. 6 No. 4, pp. 21-53.

Buchanan, S. and Bradshaw , P. (2012), "The voice from outside: Stakeholder resistance in nonprofit organizations", *Nonprofit Quarterly*, available online at: http://www.nonprofitquarterly.org/index.php?option=com_content&view=article&id=18291:the-voice-from-outside-stakeholder-resistance-in-nonprofit-organizations&catid=153:features&Itemid=336 (accessed 20 December 2012).

Burger, R. and Owens, T. (2010), "Promoting transparency in the NGO sector: Examining the availability and reliability of self-reported data", *World Development*, Vol. 28 No. 9, pp. 1263-1277.

Bush, R. (1992), "Survival of the nonprofit spirit in a for-profit world", *Nonprofit and Voluntary Sector Quarterly*, Vol. 21 No. 4, pp. 391-410.

Buysse, K. and Verbeke, A. (2003), "Proactive environmental strategies: A stakeholder management perspective", *Strategic Management Journal*, Vol. 24 No. 5, pp. 453-470.

Callen, J. L., Klein, A. and Tinkelman, D. (2003), "Board composition, committees, and organizational efficiency: The case of nonprofits", *Nonprofit and Voluntary Sector Quarterly*, Vol. 32 No. 4, pp. 493-520.

Candler, G. and Dumont, G. (2010), "A non-profit accountability framework", *Canadian Public Administration*, Vol. 53 No. 2, pp. 259-279.

Carroll, G. R. and Hannan, M. T. (1989), "Density delay in the evolution of organizational populations: A model and five empirical tests", *Administrative Science Quarterly*, Vol. 34 No. 3, pp. 411-430.

Carson, E. D. (2002), "Public expectations and nonprofit sector realities: A growing divide with disastrous consequences", *Nonprofit and Voluntary Sector Quarterly*, Vol. 31 No. 3, pp. 429-436.

Casali, G. (2011), "Developing a multidimensional scale for ethical decision making", *Journal of Business Ethics*, Vol. 104 No. 4, pp. 485-497.

Chang, S.-J., van Witteloostuijn, A. and Eden, L. (2010), "From the editors: Common method variance in international business research", *Journal of International Business Studies*, Vol. 41, pp. 178–184.

Chen, J. S. and Hsu, C. H. C. (2001), "Developing and validating a riverboat gaming impact scale", *Annals of Tourism Research*, Vol. 28 No. 2, pp. 459-476.

Chen, J., Dyball, M. C., Kilgore, A. and Cummings L. S. (2013), "Who and what really count? An examination of stakeholder attributes and salience in the not-for-profit sector", *2013 Accounting & Finance Association of Australia and New Zealand (AFAANZ) Conference*, 7-9 July, Perth, Australia.

Chenhall, R. H., Hall, M. and Smith, D. (2010), "Social capital and management control systems: A study of a non-government organization", *Accounting, Organizations and Society*, Vol. 35 No. 8, pp. 737-756.

Chin, W. (1988), "Issues and opinion on structural equation modelling", *MIS Quarterly*, Vol. 22 No. 1, pp. 7-16.

Chin, W. W., Gopal, A. and Salisbury, W. D. (1997), "Advancing the theory of adaptive structuration: The development of a scale to measure faithfulness of appropriation", *Information Systems Research*, Vol. 8 No. 4, pp. 342-367.

Cho, C. H., Roberts, R. W. and Patten, D. M. (2010), "The language of US corporate environmental disclosure", *Accounting, Organizations and Society*, Vol. 35 No. 4, pp. 431-443.

Chow, W. and Chen, Y. (2012), "Corporate sustainable development: Testing a new scale based on the mainland Chinese context", *Journal of Business Ethics*, Vol. 105 No. 4, pp. 519-533.

Christensen, R. A. and Ebrahim, A. (2006), "How does accountability affect mission? The case of a nonprofit serving immigrants and refugees", *Nonprofit Management & Leadership*, Vol. 17 No. 2, pp. 195-209.

Chung, T. K. J., Harrison, G. L. and Reeve, R. C. (2009). "Interdependencies in organization design: A test in universities." *Journal of Management Accounting Research*, Vol. 21 No. 1, pp. 55-73.

Clarkson, M. E. (1995), "A stakeholder framework for analyzing and evaluating corporate social performance", *Academy of Management Review*, Vol. 20 No. 1, pp. 92-117.

Cohen, J. and Cohen, P. (1983), *Applied Multiple Regression/Correlation Analysis for the Behavioural Sciences*, Hillsdale, NJ: Lawrence Erlbaum Associates.

Collier, P. M. (2008), "Stakeholder accountability", *Accounting, Auditing & Accountability Journal*, Vol. 21 No. 7, pp. 933-954.

Considine, M. (2003), "Governance and competition: The role of non-profit organizations in the delivery of public services", *Australian Journal of Political Science*, Vol. 38 No. 1, pp. 63-77.

Cordery, C. and Baskerville, R. (2005), "Hegemony, stakeholder salience and the construction of accountability in the charity sector", Working Paper Series, School of Accounting and Commercial Law, Victoria University of Wellington, Wellington.

Cordery, C. and Baskerville, R. (2011), "Charity transgressions, trust and accountability", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 22 No. 2, pp. 197-213.

Cordery, C., Baskerville, R. and Porter, B. (2010), "Control or collaboration? Contrasting accountability relationships in the primary health sector", *Accounting, Auditing & Accountability Journal*, Vol. 23 No. 6, pp. 793-813.

Cornwall, A., Lucas, H. and Pasteur, K. (2000), "Introduction: Accountability through participation: Developing workable partnership models in the health sector", *IDS Bulletin*, Vol. 31 No. 1, pp. 1-13.

Costa, E., Ramus, T. and Andreaus, M. (2011), "Accountability as a managerial tool in non-profit organizations: Evidence from Italian CSVs", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 22 No. 3, pp. 470-493.

CPA Australia (2013), "Incorporated associations: Reporting and auditing obligations", availble at: http://www.cpaaustralia.com.au/~/media/Corporate/AllFiles/Document/professional-resources/auditing-assurance/incorporated-associations.pdf (accessed 4 May 2013).

Cronbach, L. J. (1987), "Statistical tests for moderator variables: Flaws in analyses recently proposed", *Psychological Bulletin*, Vol. 102 No.3, pp. 414-417.

Cullen, J. B., Parboteeah, K. P. and Victor, B. (2003), "The effects of ethical climates on organizational commitment: A two-study analysis", *Journal of Business Ethics*, Vol. 46 No. 2, pp. 127-141.

Cullen, J. B., Victor, B. and Bronson, J. W. (1993), “The ethical climate questionnaire: An assessment of its development and validity”, *Psychological Reports,* Vol. 73, pp. 667-674.

Cummings, L. S. and Guthrie, J. (2007), "Managerial attitudes toward stakeholder salience within selected western Pacific-Rim economies", *Journal of Asia-Pacific Business,* Vol. 8 No. 1, pp. 7-29.

Cummings, L. S. and Patel, C. (2009), Chapter 4 Development and Stakeholder Prominence, in Cummings, L.S. and Patel C. (Eds), *Managerial Attitudes toward a Stakeholder Prominence within a South-East Asia Context,* United Kingdom: Emerald Group Publishing, pp. 89-112.

Dahan, N. M., Doh, J. and Teegen, H. (2010), "Role of nongovernmental organizations in the business - government - society interface: Special issue overview and introductory essay", *Business & Society,* Vol. 49 No. 1, pp. 20-34.

Dart, R. (2004), “Being ‘business-like’ in a nonprofit organization: A grounded and inductive typology”, *Nonprofit and Voluntary Sector Quarterly,* Vol. 33 No. 2, pp. 290-310.

Dartington, T. (1998), "From altruism to action: Primary task and the not-for-profit organization", *Human Relations,* Vol. 51 No. 12, pp. 1477-1493.

Davison, J. (2007), "Photographs and accountability: Cracking the codes of an NGO", *Accounting, Auditing & Accountability Journal,* Vol. 20 No. 1, pp. 133-158.

de Bussy, N. M. and Kelly, L. (2010), "Stakeholders, politics and power: Towards an understanding of stakeholder identification and salience in government", *Journal of Communication Management,* Vol. 14 No. 4, pp. 289-305.

Dees, G. (1998), “Enterprising nonprofits”, *Harvard Business Review,* January/February, pp. 55-67.

Desai, V. and Howes, M. (1995), "Accountability and participation: A case study from Bombay", in Edwards, M. & Hulme, D. (Eds), *Non-governmental Organizations – Performance and Accountability: Beyond the Magic Bullet,* London: Earthscan Publications Limited, pp. 83-93.

Dhanani, A. and Connolly, C. (2012), "Discharging not-for-profit accountability: UK charities and public discourse", *Accounting, Auditing & Accountability Journal,* Vol. 25 No. 7, pp. 1140-1169.

Dillman, D. A., Smyth, J. D. and Christian, L. M. (2008). *Internet, Mail and Mixed-mode Surveys: The Tailored Design Method*. Hoboken, NJ: Wiley.

Dillon, E. (2003/4), "Accountabilities and power in development relationships", *Trocaire Development Review,* Dublin, pp. 105-117.

DiMaggio, P. J. and Powell, W. W. (1983), "The iron cage revisited: Institutional isomorphism and collective rationality in organization fields", *American Sociological Review,* Vol. 48 No. 2, pp. 147-160.

Dixon, R., Ritchie, J. and Siwale, J. (2006), "Microfinance: Accountability from the grassroots", *Accounting, Auditing & Accountability Journal*, Vol. 19 No. 3, pp. 405-427.

Dolnicar, S., Irvine, H. and Lazarevski, K. (2008), "Mission or money? Competitive challenges facing public sector nonprofit organizations in an institutionalised environment", *International Journal of Nonprofit and Voluntary Sector Marketing*, Vol. 13 No. 2, pp. 107-117.

Donaldson, T. and Preston, L. E. (1995), "The stakeholder theory of the corporation: Concepts, evidence, and implications", *The Academy of Management Review*, Vol. 20 No. 1, pp. 65-91.

Drucker, P. F. (1992), *Managing the Non-profit Organization: Practices and Principles*, Oxford: Butterworth-Heinemann.

Dunfee, T. W. (2008), "Stakeholder Theory: Managing Corporate Social Responsibility in a Multiple Actor Context", in Crane, A., Mcwilliams, A., Matten, D., Moon, J. & Siegel, D. (Eds), *The Oxford Handbook of Corporate Social Responsibility*, New York, NY: Oxford University Press, pp. 346-362.

Ebrahim, A. (2003a), "Accountability in practice: Mechanisms for NGOs", *World Development*, Vol. 31 No. 5, pp. 813-829.

Ebrahim, A. (2003b), "Making sense of accountability: Conceptual perspectives for northern and southern nonprofits", *Nonprofit Management and Leadership*, Vol. 14 No. 2, pp. 191-212.

Ebrahim, A. (2005), "Accountability myopia: Losing sight of organizational learning", *Nonprofit and Voluntary Sector Quarterly*, Vol. 34 No. 1, pp. 56-87.

Ebrahim, A. (2010), "The many faces of nonprofit accountability", Working Paper, Harvard Business School, Boston.

Echambadi, R. and Hess, J. D. (2007), "Mean-centering does not alleviate collinearity problems in moderated multiple regression models", *Marketing Science*, Vol. 26 No. 3, pp. 438-445.

Edwards, M. (2010), *Small Change. Why Business Won't Save the World*, San Francisco, CA: Berrett-Koehler Publishers.

Edwards, M. and Hulme, D. (1996), "Too close for comfort? The impact of official aid on nongovernmental organizations", *World Development*, Vol. 24 No. 6, pp. 961-973.

Edwards, M. and Hulme, D. (2002), *NGO Performance and Accountability: Introduction and Overview*, London, Earthscan.

Eesley, C. and Lenox, M. J. (2006), "Firm responses to secondary stakeholder action", *Strategic Management Journal*, Vol. 27 No. 8, pp. 765-781.

Etzioni, A. (1964), *Modern Organizations*, Englewood Cliffs, NJ: Prentice-Hall.

Evan, W. F. and Freeman, R.E. (1993), “Stakeholder Theory of the Modern Corporation: Kantian Capitalism”, in Beauchamp, T. and Bowie, N. (Eds), *Ethical Theory and Business*, Englewood Cliffs, NJ: Prentice-Hall, pp.75-93.

Everett, J., Neu, D. and Martinez, D. (2008), “Multi-stakeholder labour monitoring organizations: Egoists, instrumentalists, or moralists?” *Journal of Business Ethics*, Vol. 81 No. 1, pp. 117-142.

Fama, E. F. and Jensen, M. C. (1983), "Separation of ownership and control", *Journal of Law and Economics*, Vol. 26 No. 2, pp. 301-325.

Field, A. (2009), *Discovering Stastistics Using SPSS*, London: Sage.

Fineman, S. and Clarke, K. (1996), "Green stakeholders: Industry interpretations and response", *Journal of Management Studies*, Vol. 33 No. 6, pp. 715-730.

Fischer, R. L., Wilsker, A. and Young, D. R. (2011), "Exploring the revenue mix of nonprofit organizations: Does it relate to publicness?", *Nonprofit and Voluntary Sector Quarterly*, Vol. 40 No. 4, pp. 662-681.

Fisher, R. J. (1993), “Social desirability bias and the validity of indirect questioning”, *Journal of Consumer Research*, Vol. 20 No. 2, pp. 303-315.

Flack, E. (2007), "The Role of Annual Reports in a System of Accountability for Public Fundrasing Charities", Unpublished PhD thesis, Queensland University of Techology, Brisbane.

Fletcher, M. (2000), "The quality of Australian health care: Current issues and future directions", Commonwealth Department of Health and Aged Care, Canberra.

Foley, M. W. and Edwards, B. (1998), "Beyond Tocqueville: Civil society and social capital in comparative perspective: Editors' introduction", *American Behavioural Scientist*, Vol. 42 No. 1, pp. 5-20.

Fornell, C. and Larcker, D. F. (1981), “Evaluating structural equation models with unobservable variables and measurement error”, *Journal of Marketing Research*, Vol. 18 No. 1, pp. 39-50.

Frazier, T., Youngstrom, E., Kubu, C., Sinclair, L. and Rezai, A. (2008), “Exploratory and confirmatory factor analysis of the autism diagnostic interview-revised”, *Journal of Autism and Developmental Disorders*, Vol. 38 No. 3, pp. 474-480.

Freedman, D. A. (1994), *From Association to Causation via Regression. Technical Report No. 408*, Statistics Department, University of California, Berkeley, CA.

Freeman, R. E. (1984), *Strategic Management: A Stakeholder Approach*, Boston, MA: Pitman.

Frooman, J. (1999), "Stakeholder influence strategies", *The Academy of Management Review*, Vol. 24 No. 2, pp. 191-205.

Fry, R. E. (1995), “Accountability in organizational life: Problem or opportunity for nonprofits?” *Nonprofit Management and Leadership*, Vol. 6 No. 2, pp. 181-195.

Garvare, R. and Johansson, P. (2010), "Management for sustainability - a stakeholder theory", *Total Quality Management & Business Excellence*, Vol. 21 No. 7, pp. 737-744.

Gatignon, H. and Vosgerau, J. (2005), "Moderating effects: The myth of mean centering", Working Paper, INSEAD, Cedex.

Gibelman, M. and Gelman, S. (2001), "Very public scandals: Nongovernmental organizations in trouble", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 12 No. 1, pp. 49-66.

Giberson, T., Resick, C., Dickson, M., Mitchelson, J., Randall, K. and Clark, M. (2009), "Leadership and organizational culture: Linking CEO characteristics to cultural values", *Journal of Business and Psychology*, Vol. 24 No. 2, pp. 123-137.

Gifford, E. (2010), "Effective shareholder engagement: The factors that contribute to shareholder salience", *Journal of Business Ethics*, Vol. 92 No.1, pp. 79-97.

Glasberg, A. L., Eriksson, S. and Norberg, A. (2007), "Burnout and 'stress of conscience' among healthcare personnel", *Journal of Advanced Nursing*, Vol. 57 No. 4, pp. 392-403.

Goddard, A. and Assad, M. J. (2006), "Accounting and navigating legitimacy in Tanzanian NGOs", *Accounting, Auditing & Accountability Journal*, Vol. 19 No. 3, pp. 377-404.

Google Scholar (2013), available at http://scholar.google.com.au/scholar?q=jones+2007+stakeholder+cultureandbtnG=andhl=enandas_sdt=0%2C5 (accessed 23 June 2013).

Grant Thornton (2008), "Take a Fresh Look at Some of the Not for profit Issues Currently Affecting the Sector", Grant Thornton Not-for-Profit Survey 2007/2008, Grant Thornton New Zealand.

Gray, R., Bebbington, J. and Collison, D. (2006), "NGOs, civil society and accountability: Making the people accountable to capital", *Accounting, Auditing & Accountability Journal*, Vol. 19 No. 3, pp. 319-348.

Gugerty, M. (2009), "Signaling virtue: Voluntary accountability programs among nonprofit organizations", *Policy Sciences*, Vol. 42 No. 3, pp. 243-273.

Gugerty, M. K., Sidel, M. and Bies, A. L. (2010), "Introduction to minisymposium: Nonprofit self-regulation in comparative perspective - themes and debates", *Nonprofit and Voluntary Sector Quarterly*, Vol. 39 No. 6, pp. 1027-1038.

Gurd, B. (2013), "Rising accountability of Australian non-government schools", *Public Money & Management*, Vol. 33 No. 6, pp. 415-420.

Gurd, B. and Palmer, P. D. (2010), "Exploring accountability relationships in the NFP sector", *The Sixth Asia Pacific Interdisciplinary Research in Accounting (APIRA) Conference*, The University of Sydney, Sydney, Australia.

Hair, J. F., Black, W. C., Babin, B. J. and Anderson, R. E. (2010), *Multivariate Data Analysis*. Englewood Cliffs, NJ: Prentice Hall.

Hambrick, D. C. and Mason, P. A. (1984), "Upper echelons: The organization as a reflection of its top managers", *Academy of Management Review,* Vol. 9 No. 2, pp. 193-206.

Hammer, M., Rooney, C. and Warren, S. (2010), "Addressing accountability in NGO advocacy", Briefing paper number 125, March, One World Trust, London, pp. 1-30.

Harman, H. H. (1967), *Modern Factor Analysis,* Chicago, IL: University of Chicago Press.

Harrison, J. S. and Freeman, R. E. (1999), "Stakeholders, social responsibility, and performance: Empirical evidence and theoretical perspectives", *Academy of Management Journal,* Vol. 42 No. 5, pp. 479-485.

Harrison, J. S., Bosse, D. A. and Phillips, R. A. (2010), "Managing for stakeholders, stakeholder utility functions, and competitive advantage", *Strategic Management Journal,* Vol. 31 No. 1, pp. 58-74.

Harrison, S. R. and Tamaschke, H. U. (1984), *Applied Statistical Analysis,* Sydney: Prentice-Hall.

Harsh, M., Mbatia, P. and Shrum, W. (2010), "Accountability and inaction: NGOs and resource lodging in development", *Development and Change,* Vol. 41 No. 2, pp. 253-278.

Harvey, B. and Schaefer, A. (2001), "Managing relationships with environmental stakeholders: A study of U.K. water and electricity utilities", *Journal of Business Ethics,* Vol. 30 No. 3, pp. 243-260.

Herman, R. D. and Renz, D. O. (2004), "Doing things right: Effectiveness in local nonprofit organizations, A panel study", *Public Administration Review,* Vol. 64 No. 6, pp. 694-704.

Hill, C. and Crombie, N. (2010), "Accountability to stakeholders in a student-managed organization", *The Sixth Asia Pacific Interdisciplinary Research in Accounting (APIRA) Conference,* The University of Sydney, Sydney, Australia.

Hill, C. W. L. and Jones, T. M. (1992), "Stakeholder-agency theory", *Journal of Management Studies,* Vol. 29 No. 2, pp. 131-154.

Hillman, A. J., Withers, M. C. and Collins, B. J. (2009), "Resource dependence theory: A review", *Journal of Management,* Vol. 35 No. 6, pp. 1404-1427.

Hinkin, T. R. (1995), "A review of scale development practices in the study of organizations", *Journal of Management,* Vol. 21 No. 5, pp. 967-988.

Hinkin, T. R., Tracey, J. B. and Enz, C. A. (1997), "Scale construction: Developing reliable and valid measurement instruments", *Journal of Hospitality & Tourism Research,* Vol. 21 No. 1, pp. 100-120.

Horn, J. L. (1965), “A rationale and test for the number of factors in factor analysis”, *Psychometrika,* Vol. 30, pp. 179-185.

Hsieh, J. (2010), "Strategic stakeholder orientations and performance consequences - a case of private nonprofit performing arts in the US", *International Journal of Nonprofit & Voluntary Sector Marketing,* Vol. 15 No. 1, pp. 13-27.

Huffman, R. C. and Hegarty, W. H. (1993), “Top management influence on innovations: Effects of executive characteristics and social culture”, *Journal of Management,* Vol. 19 No. 3, pp. 549-574.

Hyndman, N. and McDonnell, P. (2009), "Governance and charities: An exploration of key themes and the development of a research agenda", *Financial Accountability & Management,* Vol. 25 No. 1, pp. 5-31.

Hyndman, N. and McMahon, D. (2010), "The evolution of the UK charity Statement of Recommended Practice: The influence of key stakeholders", *European Management Journal,* Vol. 28 No. 6, pp. 455-466.

Inglis, L. and Minahan, S. (2005), "Stakeholders and strategic planning in non-profit organizations: Case studies in complexity and conflict", *Third Sector Review,* Vol. 11 No. 2, pp. 17-34.

Jaccard, J., Wan, C. K. and Turrisi, R. (1990), "The detection and interpretation of interaction effects between continuous variables in multiple regression", *Multivariate Behavioural Research,* Vol. 25 No. 4, pp. 467-478.

Jacobs, A. and Wilford, R. (2010), "Listen first: A pilot system for managing downward accountability in NGOs", *Development in Practice,* Vol. 20 No. 7, pp. 797-811.

Jacobs, K. and Walker, S. P. (2004), "Accounting and accountability in the Iona community", *Accounting, Auditing & Accountability Journal,* Vol. 17 No. 3, pp. 361-381.

Jawahar, I. M. and McLaughlin, G. L. (2001), “Toward a descriptive stakeholder theory: An organizational life cycle approach", *Academy of Management Review,* Vol. 26 No. 3, pp. 397-414.

Jeurissen, R. (2004), "Institutional conditions of corporate citizenship", *Journal of Business Ethics,* Vol. 53 No. 1/2, pp. 87-96.

Jones, M. B. (2007), “The multiple sources of mission drift”, *Nonprofit and Voluntary Sector Quarterly,* Vol. 36 No. 2, pp. 299-307.

Jones, T. M., Felps, W. and Bigley, G. A. (2007), "Ethical theory and stakeholder-related decisions: The role of stakeholder culture", *Academy of Management Review,* Vol. 32 No. 1, pp. 137-155.

Jordan, L. (2005), *Mechanisms for NGO Accountability,* GPPi Research Paper Series No. 3, Global Public Policy Institute, Cambridge.

Kaptein, M. (2008a), “Developing and testing a measure for the ethical culture of organizations: The corporate ethical virtues model”, *Journal of Organizational Behaviour,* Vol. 29 No. 7, pp. 923-947.

Kaptein, M. (2008b), “Developing a measure of unethical behaviour in the workplace: A stakeholder perspective”, *Journal of Management,* Vol. 34 No. 5, pp. 978-1008.

Kaptein, M. (2011), “Understanding unethical behaviour by unraveling ethical culture”, *Human Relations,* Vol. 64 No. 6, pp. 843-869.

Karakas, F. and Sarigollu, E. (2012), “Benevolent leadership: Conceptualization and construct development”, *Journal of Business Ethics,* Vol. 108 No. 4, pp. 537-553.

Karatepe, O. M. and Aleshinloye, K. D. (2009), "Emotional dissonance and emotional exhaustion among hotel employees in Nigeria", *International Journal of Hospitality Management,* Vol. 28 No. 3, pp. 349-358.

Keating, E. K. and Frumkin, P. (2003), "Reengineering nonprofit financial accountability: Toward a more reliable foundation for regulation", *Public Administration Review,* Vol. 63 No. 1, pp. 3-15.

Kilby, P. (2006), "Accountability for empowerment: Dilemmas facing non-governmental organizations", *World Development,* Vol. 34 No. 6, pp. 951-963.

Kline, R. B. (2005), *Principles and Practice of Structural Equation Modeling*, New York, NY: Guilford.

Knox, S. and Gruar, C. (2007), "The application of stakeholder theory to relationship marketing strategy development in a non-profit organization", *Journal of Business Ethics,* Vol. 75 No. 2, pp. 115-135.

Laplume, A. O., Sonpar, K. and Litz, R. A. (2008), "Stakeholder theory: Reviewing a theory that moves us", *Journal of Management,* Vol. 34 No. 6, pp. 1152-1189.

Laratta, R. (2011), "Ethical climate and accountability in nonprofit organizations", *Public Management Review,* Vol. 13 No. 1, pp. 43-63.

Lee, J. (2004), "NGO accountability: Rights and responsibilities", Programme on NGOs and Civil Society, Centre for Applied Studies in International Negotiations, Geneva, Switzerland.

LeRoux, K. (2009), "Managing stakeholder demands: Balancing responsiveness to clients and funding agents in nonprofit social service organizations", *Administration & Society,* Vol. 41 No. 2, pp. 158-184.

LeRoux, K. and Wright, N. S. (2010), "Does performance measurement improve strategic decision making? Findings from a national survey of nonprofit social service agencies", *Nonprofit and Voluntary Sector Quarterly,* Vol. 39 No. 4, pp. 571-587.

Levashina, J. and Campion, M. A. (2007), “Measuring faking in the employment interview: Development and validation of an interview faking behaviour scale”, *Journal of Applied Psychology,* Vol. 92 No. 6, pp. 1638-1656.

Lin, F.-J. (2008), "Solving multicollinearity in the process of fitting regression model using the nested estimate procedure", *Quality & Quantity,* Vol. 42 No. 3, pp. 417-426.

Lin, W. (2010), "Nonprofit Revenue Diversification and Organizational Performance: An Empirical Study of New Jersey Human Services and Community Improvement Organizations", Unpublished PhD thesis, The State University of New Jersey, Newark.

Lipsky, M. and Smith, S. R. (1989), "Nonprofit organizations, government, and the welfare state", *Political Science Quarterly,* Vol. 104 No. 4, pp. 625-648.

Lloyd, R. and de las Casas, L. (2005), *NGO Self-regulation: Enforcing and Balancing Accountability,* One World Trust, London.

Lloyd, R., Warren, S. and Hammer, M. (2008), *2008 Global Accountability Report*, One World Trust, London.

Lyons, M. W. (2000), "Nonprofit organizations in Australia: What do we know nine years later and what should we find out now", Working Paper, Queensland University of Technology, Brisbane.

Lyons, M. W. (2000), "Nonprofit organizations in Australia: What do we know nine years later and what should we find out now", Working Paper, Queensland University of Technology, Brisbane.

Mack, J., and Ryan, C. (2007), "Is There an audience for public sector annual reports: Australian evidence?", *The International Journal of Public Sector Management*, Vol. 20 No.2, pp.134 - 146.

Magness, V. (2008), "Who are the stakeholders now? An empirical examination of the Mitchell, Agle, and Wood theory of stakeholder salience", *Journal of Business Ethics,* Vol. 83 No. 2, pp. 177-192.

Malloy, D. and Agarwal, J. (2003), "Factors influencing ethical climate in a nonprofit organization: An empirical investigation", *International Journal of Nonprofit and Voluntary Sector Marketing,* Vol. 8 No. 3, pp. 224-250.

Malloy, D. and Agarwal, J. (2010), "Ethical climate in government and nonprofit sectors: Public policy implications for service delivery", *Journal of Business Ethics,* Vol. 94 No. 1, pp. 3-21.

Marenakos, L. (2011), *Accountability Matters*, Blackbaud, Charleston, SC.

Marsh, H. W. and Hocevar, D. (1985), "The application of confirmatory factor analysis to the study of self-concept: First and higher-order factor models and their invariance across groups", *Psychological Bulletin,* Vol. 97 No.3, pp. 562-582.

Merrell, K., Felver-Gant, J. and Tom, K. (2011), "Development and validation of a parent report measure for assessing social-emotional competencies of children and adolescents", *Journal of Child and Family Studies,* Vol. 20 No. 4, pp. 529-540.

Mitchell, R. K. and Agle, B. R. (1997), "Stakeholder identification and salience: Dialogue and operationalization", in Weber, J. and Rehbine, K. (Eds), *International association for business and society 1997 proceedings, in Destin, Florida,* 1997, pp. 365-370.

Mitchell, R. K., Agle, B. R. and Wood, D. J. (1997), "Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts", *Academy of Management Review,* Vol. 22 No. 4, pp. 853-886.

Mitchell, R. K., Agle, B. R., Chrisman, J. J. and Spence, L. J. (2011), "Toward a theory of stakeholder salience in family firms", *Business Ethics Quarterly,* Vol. 21 No. 2, pp. 235-255.

Moore, M. H. (2000), "Managing for value: Organizational strategy in for-profit, nonprofit, and governmental organizations", *Nonprofit and Voluntary Sector Quarterly*, Vol. 29 No. 1, pp. 183-208.

Mulgan, R. (2003), *Holding Power To Account: Accountability in Modern Democracies*, New York, NY: Palgrave MacMillan.

Murtaza, N. (2012), "Putting the last first: The case for community-focused and peer-managed NGO accountability mechanisms", *Voluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 23 No. 1, pp. 109-125.

Najam, A. (1996), "NGO accountability: A conceptual framework", *Development Policy Review,* Vol. 14 No. 4, pp. 339-354.

Napoli, J. (2006), "The impact of nonprofit brand orientation on organizational performance", *Journal of Marketing Management,* Vol. 22 No. 7/8, pp. 673-694.

Nederhof, A. J. (1985), "Methods of coping with social desirability bias: A review", *European Journal of Social Psychology,* Vol. 15 No. 3, pp. 263-280.

Nevile, A. (2009), "Values and the legitimacy of third sector service delivery organizations: Evidence from Australia", *Voluntas: International Journal of Voluntary and Nonprofit Organizations,* Vol. 20 No. 1, pp. 71-89.

Neville, B. and Menguc, B. (2006), "Stakeholder multiplicity: Toward an understanding of the interactions between stakeholders", *Journal of Business Ethics,* Vol. 66 No. 4, pp. 377-391.

Neville, B., Bell, S. and Whitwell, G. (2011), "Stakeholder salience revisited: Refining, redefining, and refueling an underdeveloped conceptual tool", *Journal of Business Ethics,* Vol. 102 No. 3, pp. 357-378.

Novak, J., Berg, C. and Wilson, T. (2010), "The impact and cost of health sector regulation", Australian Centre for Health Research, South Melbourne, Victoria.

Nunnally, J. (1978), *Psychometric Theory (2nd ed.),* New York, NY: McGraw-Hill.

Oakes, L. S. and Young, J. J. (2008), "Accountability re-examined: Evidence from Hull House", *Accounting, Auditing & Accountability Journal,* Vol. 21 No. 6, pp. 765-790.

O'Dwyer, B. (2005), "The construction of a social account: A case study in an overseas aid agency", *Accounting, Organizations and Society*, Vol. 30 No. 3, pp. 279-296.

O'Dwyer, B. and Unerman, J. (2007), "From functional to social accountability", *Accounting, Auditing & Accountability Journal*, Vol. 20 No. 3, pp. 446-471.

O'Dwyer, B. and Unerman, J. (2008), "The paradox of greater NGO accountability: A case study of Amnesty Ireland", *Accounting, Organizations & Society*, Vol. 33 No. 7/8, pp. 801-824.

O'Dwyer, B. and Unerman, J. (2010), "Enhancing the role of accountability in promoting the rights of beneficiaries of development NGOs", *Accounting & Business Research*, Vol. 40 No. 5, pp. 451-471.

Office for the Not-for-Profit Sector (2012), "Strength, Innovation and Growth: The Future of Australia's Not-for-profit Sector", Department of the Prime Minister and Cabinet, Canberra.

Office for the Not-for-Profit Sector (2013), "Volunteering", available at: http://www.notforprofit.gov.au/volunteering (accessed 30 September 2013).

O'Higgins, E. (2010), "Corporations, civil society and stakeholders: An organizational conceptualization", *Journal of Business Ethics*, Vol. 94 No. 2, pp. 157-176.

O'Higgins, E. R. E. and Morgan, J. W. (2006), "Stakeholder salience and engagement in political organizations: Who and what really counts?", *Society and Business Review*, Vol. 1 No. 1, pp. 62-76.

O'Neill, M. (1992), "Ethical dimensions of nonprofit administration", *Nonprofit Management and Leadership*, Vol. 3 No. 2, pp. 199-213.

O'Regan, K. and Oster, S. M. (2005), "Does the structure and composition of the board matter? The case of nonprofit organizations", *Journal of Law, Economics, and Organization*, Vol. 21 No. 1, pp. 205-227.

Oster, S., M. (1995), *Strategic Management for Nonprofit Organizations: Theory and Cases*, New York, NY: Oxford University Press.

Our Community (2010), "Identifying your stakeholders", available at: http://www.ourcommunity.com.au/boards/boards_article.jsp?articleId=1792 (accessed 16 May 2010).

Palmer, P. D. (2013), "Exploring attitudes to financial reporting in the Australian not-for-profit sector", *Accounting & Finance*, Vol. 53 No. 1, pp. 217-241.

Parent, M. and Deephouse, D. (2007), "A case study of stakeholder identification and prioritization by managers", *Journal of Business Ethics*, Vol. 75 No. 1, pp. 1-23.

Peterson, R. (2000), "A meta-analysis of variance accounted for and factor loadings in exploratory factor analysis", *Marketing Letters*, Vol. 11 No. 3, pp. 261-275.

Petrovits, C., Shakespeare, C. and Shih, A. (2011), "The causes and consequences of internal control problems in nonprofit organizations", *Accounting Review*, Vol. 86 No. 1, pp. 325-357.

Pfeffer, J. (1981), *Power in Organizations*, Marshfield, MA: Pitman.

Pfeffer, J. and Salancik, G. R. (1978), *The External Control of Organizations: A Resource Dependence Perspective*, New York, NY: Harper & Row.

Phillips, R. (2003). *Stakeholder Theory and Organization Ethics*. San Francisco, CA: Berret-Koehler.

Piewitt, M., Rodekamp, M. and Steffek, J. (2010), "Civil society in world politics: How accountable are transnational CSOs?", *Journal of Civil Society*, Vol. 6 No. 3, pp. 237-258.

Podsakoff, P. M., MacKenzie, S. B., Lee, J.-Y. and Podsakoff, N. P. (2003), "Common method biases in behavioural research: A critical review of the literature and recommended remedies", *Journal of Applied Psychology*, Vol. 88 No. 5, pp. 879-903.

Productivity Commission. (2010), *Contribution of the Not-for-Profit Sector*, Commissioned study, Productivity Commission, Australian Government, Canberra.

Rasmussen, K., Malloy, D. and Agarwal, J. (2003), "The ethical climate of government and non-profit organizations", *Public Management Review*, Vol. 5 No. 1, pp. 83-97.

Regulatory Institutions Network (2012), "Reghealth", Australian National University, available at: http://regnet.anu.edu.au/reghealth/home (accessed 3 July 2012).

Reynolds, S., Schultz, F. and Hekman, D. (2006), "Stakeholder theory and managerial decision-making: Constraints and implications of balancing stakeholder interests", *Journal of Business Ethics*, Vol. 64 No. 3, pp. 285-301.

Ritchie, W. J., Kolodinsky, R. W. and Eastwood, K. (2007), "Does executive intuition matter? An empirical analysis of its relationship with nonprofit organization financial performance", *Nonprofit and Voluntary Sector Quarterly*, Vol. 36 No. 1, pp. 140-155.

Roberts, E. S. (1999), "In defence of the survey method: An illustration from a study of user information satisfaction", *Accounting & Finance*, Vol. 39 No. 1, pp. 53-79.

Roberts, R. W. (1992), "Determinants of corporate social responsibility disclosure: An application of stakeholder theory", *Accounting, Organizations and Society*, Vol. 17 No. 6, pp. 595-612.

Rokeach, M. (1972), *Beliefs, Attitudes and Values: A Theory of Organization and Change*, San Francisco, CA: Jossey-Bass.

Roome, N. and Wijen, F. (2006), "Stakeholder power and organizational learning in corporate environmental management", *Organization Studies,* Vol. 27 No. 2, pp. 235-263.

Rothschild, J. and Milofsky, C. (2006), "The centrality of values, passions, and ethics in the nonprofit sector", *Nonprofit Management and Leadership,* Vol. 17 No. 2, pp. 137-143.

Ryan, C. and H. Irvine (2012a). "Accountability beyond the headlines: Why not-for-profit organizations need to communicate their own expenditure stories", *Australian Accounting Review,* Vol. 22 No. 4, pp. 353-370.

Ryan, C. and H. Irvine (2012b). "Not-for-profit ratios for financial resilience and internal accountability: A study of Australian international aid organizations", *Australian Accounting Review,* Vol. 22 No. 2, pp. 177-194.

Salamon, L. M. (1995), *Partners in Public Service: Government-nonprofit Relations in the Modern Welfare State,* Johns Hopkins University Press, Baltimore, MD.

Savage, G. T., Dunkin, J. W. and Ford, D. M. (2004), "Responding to a crisis: A stakeholder analysis of community health organizations", *Journal of Health & Human Services Administration,* Vol. 26 No. 4, pp. 383-414.

Saxton, G. D. (2005), "The participatory revolution in nonprofit management: The emerging participatory society and its implications for nonprofit organization, governance, and management", *The Public Manager,* Vol. 34, April, pp. 34-39.

Saxton, G. D. and Guo, C. (2011), "Accountability online: Understanding the web-based accountability practices of nonprofit organizations", *Nonprofit and Voluntary Sector Quarterly,* Vol. 40 No. 2, pp. 270-295.

Schein, E. (2004), *Organizational Culture and Leadership*, San Francisco, CA: Jossey-Bass.

Schneider, B. (1987), "The people make the place", *Personnel Psychology*, Vol. 4 No. 3, pp. 437-453.

Schneider, B., Goldstiein, H.W. and Smith, D. B. (1995), "The ASA Framework: An update", *Personal Psychology*, Vol. 48, No.4, pp. 747-773.

Scott, S. G. and Lane, V. R. (2000), "A stakeholder approach to organizational identity", *The Academy of Management Review,* Vol. 25 No. 1, pp. 43-62.

Sen, B. (1987), "NGO self-evaluation: Issues of concern", *World Development,* Vol. 15 No. Supplement 1, pp. 161-167.

Senate Standing Committee on Economics. (2008), *Disclosure Regimes for Charities and Not-for-profit Organizations*, The Senate, Commonwealth of Australia, Canberra.

Shea, C. and Sitar, S. (2004), "NGO accreditation and certification: The way forward? An evaluation of the development community's experience", International Center for Not-for-Profit Law, Washington, D.C.

Sinclair, R., Hooper, K. and Ayoub, S. (2010), "Perspectives of accountability in charities", Working Paper, Department of Accounting, AUT University, Auckland.

Strickland, R. A. and Vaughan, S. K. (2008), "The hierarchy of ethical values in nonprofit organizations: A framework for an ethical, self-actualized organizational culture", *Public Integrity*, Vol. 10 No. 3, pp. 233-251.

Suchman, M. C. (1995), "Managing legitimacy: Strategic and institutional approaches", *The Academy of Management Review*, Vol. 20 No. 3, pp. 571-610.

Tabachnick, B. G. and Fidell, L. S. (2001), *Using Multivariate Statistics*, Boston, MA: Allyn and Bacon.

Thomson, D. E. (2010), "Exploring the role of funders' performance reporting mandates in nonprofit performance measurement", *Nonprofit and Voluntary Sector Quarterly*, Vol. 39 No. 4, pp. 611-629.

Trevino, L. K. (1990), "A cultural perspective on changing and developing organizational ethics", *Research in Organizational Change and Development*, Vol. 4, pp. 195-230.

Trevino, L. K., Butterfield, K. D., & McCabe, D. L. (1995), "Contextual influences on ethics-related outcomes in organizations: Rethinking ethical climate and ethical culture", *The Annual Academy of Management Meeting*, Vancouver, BC.

Trice, H. M. and Beyer, J. M. (1993), *The Cultures of Work Organizations*, Englewood Cliffs, NJ: Prentice Hall.

Turker, D. (2009), "Measuring corporate social responsibility: A scale development study", *Journal of Business Ethics*, Vol. 85 No. 4, pp. 411-427.

Ullmann, A. A. (1995), "Data in search of a theory: A critical examination of the relationship among social performance, social disclosure, and economic performance of U.S. Firms", *Academy of Management Review*, Vol. 10 No. 3, pp. 540-557.

Unerman, J. and O'Dwyer, B. (2006a), "Theorizing accountability for NGO advocacy", *Accounting, Auditing & Accountability Journal*, Vol. 19 No. 3, pp. 349 - 376.

Unerman, J. and O'Dwyer, B. (2006b), "On James Bond and the importance of NGO accountability", *Accounting, Auditing & Accountability Journal*, Vol. 19 No. 3, pp. 305 - 318.

Unerman, J. and O'Dwyer, B. (2010), "NGO accountability and sustainability issues in the changing global environment", *Public Management Review*, Vol. 12 No. 4, pp. 475-486.

Van der Stede, W. A., Young, S. M. and Chen, C. X. (2005), "Assessing the quality of evidence in empirical management accounting research: The case of survey studies", *Accounting, Organizations and Society*, Vol. 30 No. 7–8, pp. 655-684.

Victor, B. and Cullen, J. B. (1987), "A Theory and Measure of Ethical Climate in Organizations", in Frederick, W. C (Ed.), *Research in Corporate Social Performance and Policy*. Greenwich, CT: JAI Press, pp. 51-71.

Victor, B. and Cullen, J. B. (1988), "The organizational bases of ethical work climates", *Administrative Science Quarterly*, Vol. 33 No.1, pp. 101-125.

Voegtlin, C. (2011), "Development of a scale measuring discursive responsible leadership", *Journal of Business Ethics*, Vol. 98 No. 1, pp. 57-73.

Walden, G. I. (2006), "Who's watching us now? The nonprofit sector and the new government by surveillance", *Nonprofit and Voluntary Sector Quarterly*, Vol. 35 No. 4, pp. 715-720.

Weerawardena, J., McDonald, R. E. and Mort, G. S. (2010), "Sustainability of nonprofit organizations: An empirical investigation", *Journal of World Business*, Vol. 45 No. 4, pp. 346-356.

Weisbrod, B. A. (2004), "The pitfalls of profits", *Stanford Social Innovation Review*, Vol. 2 No. 3, pp. 40-47.

Wellens, L. and Jegers, M. (2011), "Beneficiaries' participation in nonprofit organizations: A theory-based approach", *Public Money & Management*, Vol. 31 No. 3, pp. 175-182.

Wenar, L. (2006), "Accountability in international development aid", *Ethics & International Affairs*, Vol. 20 No. 1, pp. 1-23.

Williams, A. and Taylor, J. (2012), "Resolving accountability ambiguity in nonprofit organizations", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 24 No. 3, pp. 559-580.

Winn, M. I. (2001), "Building stakeholder theory with a decision modeling methodology", *Business & Society*, Vol. 40 No. 2, pp. 133-166.

Wolfe, R. A. and Putler, D. S. (2002), "How tight are the ties that bind stakeholder groups?", *Organization Science*, Vol. 13 No. 1, pp. 64-80.

Woodward, S. and Marshall, S. (2004), "A better framework: Reforming not-for-profit regulation", Public Law Research Paper No. 70, Centre for Corporate Law and Securities Regulation, University of Melbourne, Melbourne, Victoria.

Worthington, R. L. and Whittaker, T. A. (2006), "Scale development research: A content analysis and recommendations for best practices", *The Counseling Psychologist*, Vol. 34 No. 6, pp. 806-838.

Appendix A - Survey questionnaire

Not-for-Profit

Stakeholder and Accountability

Questionnaire

Thank you for taking the time to help expand the knowledge base about Australian not-for-profit organizations. This survey takes about 20 minutes to complete. As noted in the cover letter, your answers will be kept anonymous and will be used for research purposes only.

Please ensure you answer every question as your answers are important to this research. If you need any assistance in completing the survey, please contact Jessica Chen at the Department of Accounting and Corporate Governance, Macquarie University, Sydney on (W) 02 9850 4840, (M) 0424 489 428, or email jinhua.chen@mq.edu.au.

SECTION A – Your Organization's Information

1. How long has your organization been in operation?

□ < 3 years □ 3-10 years □ 11-25 years
□ 26-50 years □ > 50 years

2. How is your organization incorporated?

□ Company limited by guarantee
□ Incorporated association, please specify the state(s) it is registered in:

- □ Australian Capital Territory
- □ New South Wales
- □ Northern Territory
- □ Queensland
- □ South Australia
- □ Tasmania
- □ Victoria
- □ Western Australia

3. Which ONE of the following service categories best describes the <u>principal</u> activity of your organization?

□ Culture and recreation
□ Education and research
□ Health
□ Social services
□ Environment
□ Development and housing
□ Law, advocacy and politics
□ Philanthropic intermediaries and voluntarism promotion
□ International (e.g., development, disaster & relief, etc.)
□ Religion
□ Business & professional associations, unions
□ Other, please specify

4. What was your organization's total revenue last financial year?

□ < $ 250,000 □ $250,000 – $1 million
□ 1,000,001 – $50 million □ > $50 million

5. Is your organization accredited by an accreditation agency?

□ Yes, please specify the agency/agencies

□ No

6. How is your organization funded? Rough estimates of each percentage are fine. The total should equal 100%.

Government funding	%
Corporate funding/sponsorship	%
Private donations and fundraising	%
Membership fees	%
Charges of goods and services	%
Investment income (e.g., interest and rental income)	%
Other source, please specify	%
Total	***100%***

7. How many people serve on your organization's governing body (e.g., Board of Directors)?

8. How many people from the following groups are represented on your organization's governing body? Please write a number in each corresponding box.

Group	Number
Business experts, legal representatives, or financial experts	
Organization's beneficiaries/clients (or their family members)	
Organization's funders/donors (or their representatives)	

SECTION B - Your Organization's Stakeholders

1. *Stakeholder groups' power, legitimacy, and urgency*

For all relevant *stakeholder groups*, rate the following five statements based on your organization's interactions with them in the last 12 months. If any group is not relevant to your organization, leave the column BLANK. For each relevant stakeholder group, please circle the appropriate number as indicated on the scale below for each statement. Definitions of powerful, morally legitimate, and urgent are provided under the table.

1	2	3	4	5	6	7
Strongly Disagree	Disagree	Slightly Disagree	Neutral	Slightly Agree	Agree	Strongly Agree

Statements	*Government*	*Corporate /Foundation donors*	*Individual donors*	*Paid employees*	*Volunteers*	*Beneficiaries /clients*	*Members*
This stakeholder group was powerful.	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*
The claims (i.e., demands or desires) of this stakeholder group were viewed by our management as morally legitimate.	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*
The claims of this stakeholder group were viewed by our management as urgent.	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*
Our organization has spent a high level of discretionary resources satisfying this stakeholder group's claims.	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*
Our organization has spent a great amount of time thinking about or acting on this stakeholder group's claims.	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*	*1 2 3 4 5 6 7*

Definitions	**Powerful:** able to apply a high level of direct economic reward or punishment and/or coercive or physical force and/or positive or negative social influence to obtain its will **Morally legitimate:** desirable or appropriate; intrinsically right and proper **Urgent:** requiring immediate attention; pressing and important

2. Organizational practices

Following is a series of statements about your organization's practices with respect to its stakeholders. Please indicate to what extent each of the statements is true or false about your organization by circling the appropriate number.

Statements	*Completely false*	*Mostly false*	*Somewhat false*	*Somewhat true*	*Mostly true*	*Completely true*
Our organization tends to do anything to further its own interest, regardless of the consequences for its stakeholders.	1	2	3	4	5	6
Work is considered below standard only when it harms the organization's interest.	1	2	3	4	5	6
Our organization's interest overrides all other considerations.	1	2	3	4	5	6
Decisions are primarily viewed in terms of contributions to the organization's short-term financial situation.	1	2	3	4	5	6
Our organization seeks to minimize expenditures on salaries and wages.	1	2	3	4	5	6
Our organization dedicates specific resources to engage with powerful stakeholders.	1	2	3	4	5	6
Our organization has no concern for stakeholders that are not powerful.	1	2	3	4	5	6
Our organization always adheres to moral principles, even when it does not benefit the organization.	1	2	3	4	5	6
Decisions made here are always based on the interests of all affected stakeholders.	1	2	3	4	5	6
For our organization, concern for the welfare of its legitimate stakeholders is always primary.	1	2	3	4	5	6
Moral beliefs are always most important in making stakeholder-related decisions in our organization.	1	2	3	4	5	6
Our organization never compromises the pursuit of its mission, regardless of any economic pressure or challenges.	1	2	3	4	5	6
Satisfying the interests of some stakeholders is seen by our organization as a means to the end of achieving the organization's goals.	1	2	3	4	5	6
Our organization sometimes satisfies the interests of stakeholders who are not normally important if doing so serves the organization's ultimate interest.	1	2	3	4	5	6
Decisions here are primarily viewed in terms of contributions to the organization's long-term financial situation.	1	2	3	4	5	6
Moral beliefs are only important when adherence to these beliefs benefits the organization.	1	2	3	4	5	6
Our organization sees powerful stakeholders as of primary importance and legitimate stakeholders as secondary.	1	2	3	4	5	6
Our organization is actively concerned about the interests of beneficiaries/clients and the public.	1	2	3	4	5	6

Statements (continued)	*Completely false*	*Mostly false*	*Somewhat false*	*Somewhat true*	*Mostly true*	*Completely true*
The effects of decisions on beneficiaries/clients and the public are a primary concern in our organization.	1	2	3	4	5	6
While our organization sees all stakeholders as important, in reality it gives more attention to some stakeholders.	1	2	3	4	5	6
Only in times of financial stress, moral beliefs become less important than the immediate survival of the organization.	1	2	3	4	5	6
Those that have power to affect our organization but no moral claims (e.g., the media, competitors) are also regarded as stakeholders.	1	2	3	4	5	6
Our organization compromises the pursuit of its mission, only when it faces economic pressure or challenges.	1	2	3	4	5	6
Our organization gives more regard to powerful stakeholders than to legitimate stakeholders only in times of financial stress.	1	2	3	4	5	6
Our organization always does what is right for its beneficiaries/clients and the public.	1	2	3	4	5	6
Our organization has an extremely strong sense of responsibility to its beneficiaries/clients and the public.	1	2	3	4	5	6

3. Accountability mechanisms

Please indicate to what extent each of the following accountability mechanisms is used as a means of discharging your organization's accountability to its stakeholders.

	To no extent **1**						To a great extent **7**
Disclosure statements and reports (e.g., annual reports and/or regular reports to funders/donors)	□1	□2	□3	□4	□5	□6	□7
Performance assessment and evaluation (e.g., an assessment of organizational performance by external evaluators; by organizational employees; or jointly by external evaluators and organizational employees)	□1	□2	□3	□4	□5	□6	□7
Participation (e.g., empowerment and involvement of beneficiaries/clients in developing the organization's projects/programs)	□1	□2	□3	□4	□5	□6	□7
Self-regulation (e.g., accreditation or compliance with codes of conduct established by relevant not-for-profit networks, of which your organization is a member)	□1	□2	□3	□4	□5	□6	□7

You are almost there! Just two more pages to go ☺ Thank you!

SECTION C – Your Personal Values

Please indicate the importance of the following values to you <u>as an individual</u>. Specifically, think about each value in terms of its importance to you as a guiding principle in your life. As you record your responses, consider each value <u>in relation to</u> all other values listed.

	LEAST important **1**			Neutral **4**			**MOST** important **7**
A comfortable life (A prosperous life)	□1	□2	□3	□4	□5	□6	□7
Being helpful (Working for the welfare of others)	□1	□2	□3	□4	□5	□6	□7
Compassion (Feeling empathy for others)	□1	□2	□3	□4	□5	□6	□7
Wealth (Making money for myself and family)	□1	□2	□3	□4	□5	□6	□7
Equality (Brotherhood, equal opportunity for all)	□1	□2	□3	□4	□5	□6	□7
Loving (Being affectionate, tender)	□1	□2	□3	□4	□5	□6	□7
Pleasure (An enjoyable life)	□1	□2	□3	□4	□5	□6	□7

SECTION D Your Organization's Performance

From your perspective, how has your organization performed in the <u>last 12 months</u> with respect to the following?

	Extremely poorly **1**			Average **4**			Extremely well **7**
Income	□1	□2	□3	□4	□5	□6	□7
Organizational efficiency and productivity	□1	□2	□3	□4	□5	□6	□7
Employee satisfaction	□1	□2	□3	□4	□5	□6	□7
Member satisfaction	□1	□2	□3	□4	□5	□6	□7
Beneficiary/client satisfaction	□1	□2	□3	□4	□5	□6	□7
Public image/reputation	□1	□2	□3	□4	□5	□6	□7
Quality products/services	□1	□2	□3	□4	□5	□6	□7
Social performance (i.e., fulfilled social mission)	□1	□2	□3	□4	□5	□6	□7
Adaptation to changes in the community	□1	□2	□3	□4	□5	□6	□7
Accomplishment of goals and objectives	□1	□2	□3	□4	□5	□6	□7
Beneficiary/client base growth (compared to peer organizations)	□1	□2	□3	□4	□5	□6	□7
Satisfaction of funders and donors (i.e., government, corporate/foundation donors and individual donors)	□1	□2	□3	□4	□5	□6	□7
OVERALL performance	□1	□2	□3	□4	□5	□6	□7

Finally, we would like to learn a little about you.

Gender

☐ Male ☐ Female

Age

☐ 18 – 24 ☐ 25 – 34 ☐ 35 – 44 ☐ 45 – 54 ☐ 55 – 64
☐ 65 -74 ☐ 75 +

Your position in your organization

☐ Chief Executive Officer
☐ President / Chairperson
☐ General manager
☐ Other, please specify

Your highest level of education completed

☐ High School
☐ Technical College / Diploma
☐ Bachelor's degree
☐ Master's degree
☐ PhD
☐ Other, please specify

Thank you!

Your assistance in providing this information is very much appreciated. Please ensure that you have answered every question. Missing questions will mean all of your responses are unusable.

If there is anything else you would like to tell me in relation to your experience with stakeholders of your organization, please do so in the space provided below.

Could you please also return the enclosed postcard separately in the mail? My receipt of the postcard will alert me that your survey has been returned and prevent a reminder survey being sent to you. Your returned postcard will also allow me to include your organization in the draw of the prizes.

(End of Survey)

Appendix B – Approval Letter from the Macquarie University Human Research Ethics Committee

Faculty of Business & Economics
Human Research Ethics Sub Committee
Building E4A, Room 707
MACQUARIE UNIVERSITY NSW 2109

Phone +61 (0)2 9850 4826
Fax +61 (0)2 9850 6140
Email yanru.ouyang@mq.edu.au

12 July 2011

Associate Professor Lorne Cummings
Faculty of Business and Economics
Macquarie University, NSW 2109

Reference: 5201100553(D)

Dear Associate Professor Lorne Cummings

FINAL APPROVAL

Title of project: Stakeholder Accountability in the Australian not-for-profit sector.

Thank you for your recent correspondence. Your response has addressed the issues raised by the Faculty of Business & Economics Human Research Ethics Sub Committee, and you may now commence your research. The following personnel are authorised to conduct this research:

Lorne Cummings - Chief Investigator/Supervisor
Jin Hua (Jessica) Chen - Co-Investigator
Maria Cadiz Dyball - Co-Investigator

Please note the following standard requirements of approval:

1. The approval of this project is **conditional** upon your continuing compliance with the *National Statement on Ethical Conduct in Human Research (2007)*.

2. Approval will be for a period of five (5 years) subject to the provision of annual reports. **Your first progress report is due on 12 July 2012.**

   If you complete the work earlier than you had planned you must submit a Final Report as soon as the work is completed. If the project has been discontinued or not commenced for any reason, you are also required to submit a Final Report on the project.

   Progress Reports and Final Reports are available at the following website:
   http://www.research.mq.edu.au/researchers/ethics/human_ethics/forms

3. If the project has run for more than five (5) years you cannot renew approval for the project. You will need to complete and submit a Final Report and submit a new application for the project. (The five year limit on renewal of approvals allows the Committee to fully re-review research in an environment where legislation, guidelines and requirements are continually changing, for example, new child protection and privacy laws).

4. Please notify the Committee of any amendment to the project.

5. Please notify the Committee immediately in the event of any adverse effects on participants or of any unforeseen events that might affect continued ethical acceptability of the project.

6. At all times you are responsible for the ethical conduct of your research in accordance with the guidelines established by the University. This information is available at: http://www.research.mq.edu.au/policy

If you will be applying for or have applied for internal or external funding for the above project it is your responsibility to provide Macquarie University's Research Grants Officer with a copy of this letter as soon as possible. The Research Grants Officer will not inform external funding agencies that you have final approval for your project and funds will not be released until the Research Grants Officer has received a copy of this final approval letter.

Yours sincerely

Alan Kilgore
Chair, Faculty of Business and Economics Ethics Sub-Committee

Appendix C - Information and Consent Form for the First Mailout

Faculty of Business and Economics
MACQUARIE UNIVERSITY, NSW 2109, Australia

Phone: +61(0)2 9850 4840
Fax: +61(0)2 9850 8479
Email: jinhua.chen@mq.edu.au

Dear

Re: Stakeholder Salience and Accountability in Australian Not-for-Profit Organizations

Thank you for agreeing to participate in the above study when you were recently contacted by Susan Watts (research assistant of this study).

This study is being conducted by Jessica Chen to meet the requirements for the degree of Doctor of Philosophy, under the supervision of Associate Professor Maria Cadiz Dyball [maria.dyball@mq.edu.au, Ph: (02) 9850 9176] and Dr Alan Kilgore [alan.kilgore@mq.edu.au, Ph: (02) 9850 8564] of the Department of Accounting and Corporate Governance. The study has been funded by the Accounting and Finance Association of Australia and New Zealand (AFAANZ) and Macquarie University.

The purpose of this study is to understand the importance of different stakeholders and practice of accountability mechanisms in not-for-profit organizations. This study is important because of the vital contributions not-for-profit organizations such as yours make to the Australian society and the reforms that the government is considering for your sector. Your organization is one of a limited number of organizations that have been selected for the study, and therefore your participation is essential. We sincerely hope that the time you take to complete and reflect upon the questions in the survey, plus the summary of results will be of value to you and your organization.

Your participation will involve answering the enclosed questionnaire, which has four sections. Section A asks for some information about your organization. Section B consists of questions about your organization's stakeholders. Section C relates to your personal values. Section D is about organizational performance. The questionnaire should take no longer than 20 minutes to complete. If you could please return the completed questionnaire (using the enclosed prepaid self-addressed envelope) within the next 2 weeks, it would be greatly appreciated.

Participation in this study is entirely voluntary. Any information about your organization or your personal details gathered in the questionnaire will remain anonymous. Data will be analyzed and results will be reported in an aggregate format only. Access to the data will be restricted to the researcher and her supervisors. A summary of the results of the research can be made available to you. Please tick the request box on the back of the postcard if you would like a summary of the results. To ensure anonymity, please return the postcard **separately**.

As a token of appreciation, we would like to provide ten randomly selected respondents with a donation of $100 each to their organizations. We will use the returned postcards to identify the prize winners.

Thank you for your help and we look forward to receiving your response.

Yours sincerely,

Jessica (Jin Hua) Chen
PhD Candidate & Associate Lecturer
Department of Accounting and Corporate Governance
Macquarie University, Sydney, NSW 2109

Appendix D – Information and Consent form for the Follow-up Mailout

Faculty of Business and Economics
MACQUARIE UNIVERSITY, NSW 2109, Australia

Phone: +61(0)2 9850 4840
Fax: +61(0)2 9850 8479
Email: jinhua.chen@mq.edu.au

Dear

Re: Stakeholder Salience and Accountability in Australian Not-for-Profit Organizations

Thank you again for agreeing to participate in the above study when you were contacted by Susan Watts (research assistant) on DATE . A questionnaire was mailed out to you following Susan's contact with you. To the best of our knowledge, it has not yet been returned. Hence, I would like to resend the questionnaire. I hope that you could take about 20 minutes to fill it out. If you could please return the completed questionnaire (using the enclosed prepaid self-addressed envelope) within the next 2 weeks, it would be greatly appreciated.

This study is being conducted by Jessica Chen to meet the requirements for the degree of Doctor of Philosophy, under the supervision of Associate Professor Maria Cadiz Dyball [maria.dyball@mq.edu.au, Ph: (02) 9850 9176] and Dr Alan Kilgore [alan.kilgore@mq.edu.au, Ph: (02) 9850 8564] of the Department of Accounting and Corporate Governance. The study has been funded by the Accounting and Finance Association of Australia and New Zealand (AFAANZ) and Macquarie University.

The purpose of this study is to understand the importance of different stakeholders and practice of accountability mechanisms in not-for-profit organizations. This study is important because of the vital contributions not-for-profit organizations such as yours make to the Australian society and the various reforms that the government is considering for your sector. We sincerely hope that the time you take to complete and reflect upon the questions in the survey, plus the summary of results will be of value to you and your organization.

The questionnaire has four sections. Section A asks for some information about your organization. Section B consists of questions about your organization's stakeholders. Section C relates to your personal values. Section D is about organizational performance. Participation in this study is entirely voluntary. Any information about your organization or your personal details gathered in the questionnaire will remain anonymous. Data will be analyzed and results will be reported in aggregate form only. Access to the data will be restricted to the above three researchers. Please tick the request box on the back of the postcard if you would like a summary of the results of this study. To ensure anonymity, please return the postcard **separately**.

As a token of appreciation, we would like to provide ten randomly selected respondents with a donation of $100 each to their organizations. We will use the returned postcards to identify the prize winners.

We hope that you enjoy the questionnaire. Thank you and we look forward to receiving your response.

Yours sincerely,

Jessica (Jin Hua) Chen
PhD Candidate & Associate Lecturer
Department of Accounting and Corporate Governance
Macquarie University, Sydney, NSW 2109