Hegemony, Stakeholder Salience and the Construction of Accountability in the Charity Sector

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Abstract

This research reviews the manner in which accountability may be better constructed in the Charities Sector with detailed stakeholder analysis. This combines the adoption of Hayes' (1996) four types of accountability by charities with a hegemonic application of the Mitchell, Agle, and Wood (1997) model of stakeholder salience. In applying these tools to a particular transgression event, it is demonstrated that the lower salience of beneficiaries of a charitable activity in crisis is due to their lack of coercive power through a lack of knowledge. This study illustrates the dynamic, myriad and heterogeneous nature of stakeholders in the not-for-profit sector.

Classification Codes: M41, G38

Key words: charity reporting, stakeholder salience, accountability

Hegemony, stakeholder salience and the construction of accountability in the charity sector

Introduction

The process of harmonization in many jurisdictions, through the use of international financial reporting standards, is more than meeting the needs of multi-national enterprises. Current moves to international financial reporting standards are premised on the idea that accounting conceptual frameworks should not be jurisdiction-specific. Yet charitable entities, and others of similar nature in the not-for-profit sector, are commonly excluded from trends towards international harmonisation. Some jurisdictions offer diverse interpretations on whether or not charities may be deemed to have the same user-needs for financial information as other user groups, and the utility of non-financial information for such user groups (Neale and Pallot 2001, Challen and Jeffrey 2005). We believe that the uncertainty over user needs in this sector can partly be attributed to the failure to establish a widely agreed definition of accountability for that sector.

The objective of this study is to review the manner in which accountability may be improved in the Charities Sector with detailed stakeholder analysis. This study combines adoption of Hayes (1996) four types of accountability by charities with an application of the Mitchell, Agle, and Wood (MAW) model of stakeholder salience. Simple stakeholder analysis has previously assumed that beneficiaries would have user needs in alignment with the information needs of regulators and resources providers for charities. In contrast, this study suggests that analysis of the stakeholders of charities using the MAW model illustrates that beneficiaries are not definitive stakeholders, and the relative salience of other stakeholder groups impacts on their power to demand accountability. Demonstration of the underlying institutionalized hegemony illustrates application of the MAW model will assist in better identifying accountability relationships for charities. This is significant, because it suggests that real-world accountability

relationships exist between fewer stakeholder groups than is assumed in much other analysis. In order to meet these objective, this paper:

- Reviews the composition of the charity sector;
- Discusses for what are charities accountable; and
- Reviews the debate as to whether or not user needs are better met with Quantitative or Qualitative Reporting.

We then illustrate how construction of accountability in the charity sector can benefit from the application of the tri-partite Mitchell, Agle and Wood stakeholder model, in order to better construct accountability in a temporal-specific context.

Composition of the Charity Sector

Charities exist in virtually all societies, but internationally, the existence and impact of such non-governmental agencies depends on the historical and socio-political context (Kramer 1990). For an organisation to be a charity, its purposes must be exclusively charitable (Connolly and Hyndman 2000). The Statute of Charitable Uses (1601) "formed the cornerstone of the legal definition of charitable purposes (Brown 2002: 72)" for most Commonwealth countries. Although the 1601 law has been repealed in the United Kingdom, its spirit has continued in case law. "In 1891, Lord MacNaughton classified charitable purposes under four heads (Pemsel case):

- The relief of poverty
- The advancement of education
- The advancement of religion
- Other purposes beneficial to the community (Working Party on Registration, Reporting and Monitoring of Charities 2002)".

Apparently the organisations that form the charity sector are diverse in intent and they also span many legal entity types. Charities are involved in activities of common concern to members and donors, but which typically are beneficial to people beyond that membership (Saxon-Harold 1990). Manley (1988) separates the sector into three different entity-funded types, these are:

- Grant-making charity: derives income from investments and other fundraising and makes grants to other charities or individual donors;
- Endowed charity: receives all income from endowed property or investments and either provides services or makes gifts to beneficiaries;
- Service-providing charity: principal income is from raised funds which it spends on objectives.

Although this categorisation on the basis of income streams is not distinctive, it does provide a general visualisation of the sector. Hayes (1996) reviews many different categories of charities devised by scholars. Typologies have been largely unsuccessful in providing discrete sectoral groups, but a functional typology suggested by Hayes (1996) delineates charities between service provision, mutual aid, pressure groups, resource and co-ordinator functions, suggesting complex inter-relationships and numerous stakeholders including funders, donors, other charities, regulators, community and beneficiaries.

For what are charities accountable?

Because of the diversity of stakeholder groups to whom accountability is required it is important to suggest how that accountability can be delivered. Stewart (1984) suggests a 'ladder of accountability' encompassing both contractual and communal accountability. In seeking a substitute for profitability to evaluate efficiency and effectiveness, measures of output quality must be established and Hayes (1996) defined the steps as:

- Fiscal accountability (making sure the money has been spent as agreed, according to the appropriate rules);

- Process accountability (ensuring proper procedures have been followed to provide value for money);
- Programme accountability (providing assurance that the charity is effective in achieving results intended); as well as
- Accountability for priorities (fulfilling user needs appropriately).

The specific natures of both contractual and communal accountability means that measurement and reporting of each step may be provided in different formats, depending on the parties involved. For example, government and grant-making institutions will require *pro forma* compilations evidencing accountability for one or more of fiscal, process, programme accountability, and accountability for priorities. Communal accountability is more likely to be provided ex ante in a culture with high levels of trust (Broadbent, Dietrich and Laughlin 1996) and, whilst encompassing multiple levels on the ladder of accountability, it may be more informal and unstructured compared to contractual accountability.

Herzlinger (2000) developed a four-by-four report, similar to the balanced scorecard management tool, to answer accountability questions and espoused its use in non-profit and government organizations. However, to date this has not been developed by any regulatory body, and no empirical research exists as to its use. Edwards and Hulme note, "effective accountability requires a statement of goals… transparency… honest reporting… an appraisal process and concrete mechanisms for holding to account (1996: 5)". Drucker (1990) draws multiple accountabilities into one word: performance. By defining the key performance areas or objectives of the organisation, specific goals can be set and a continuous evaluation and accountability cycle can be continued. An accountability structure is therefore widely agreed by commentators, but there is a requirement for reliable measurement techniques to be developed and used.

There were four components of accountability outlined by Hayes (1996) (fiscal, process, programme accountability and accountability for priorities) yet given readily available fiscal

information, there is a temptation to over-provide quantitative fiscal data at the expense of process and programme accountability or accountability for priorities. Fiscal accountability occurs in quantitative reporting and provides information on how the organisation's resources were obtained and used; the resources left for use in a future period; and, as well, whether the entity is able to continue to supply its services in the future (Torres and Pina 2003). However "(t)here is little use in being a highly cost efficient operation if the organisation is proving to be ineffective in delivering successful outcomes in operational terms (Parker 1998: 52)". Qualitative information is therefore also required to provide process and programme accountability as well as accountability for priorities. Failure to pay attention to the latter (achievement of the charity's mission, or cause) is described by Drucker (1990) as 'recklessness'. For a charity to be supported and effective, all the components of accountability should be considered within both quantitative and qualitative reporting.

Parker (1998) reiterates the call of Leat (1990) that charities must recognise operational objectives, which will be supported by financial objectives. However, Zietlow (1989), in a survey of church missionary societies in the United States, found that respondents were divided on the purpose of fiscal accountability. Some focused on financial breakeven, others maximisation of donations, and yet others on maximisation of net revenue. Yet overwhelmingly, these charities stated their primary objective was to maximise quantity and quality of output, but the lack of appropriate performance measures for this objective constrained such reporting (Edwards and Hulme 1996). The intangibility of the benefits provided by such reporting, a lack of objective criteria to undertake the measurement (Torres and Pina 2003), combined with funding constraints and general suspicion of business-like practices within charities were all factors in the limited availability of qualitative information.

The sector exists to meet non-financial goals, but mechanisms to provide accountability for those goals is the issue that causes dissention. Drucker (1990) believes programme accountability begins with a statement of the desired long-term results. Then the means of measuring that performance can be determined thus leading the operational management of that

charity. For example, a charity for patients suffering from a long-term illness may choose to measure its success in preventing the disease, or alternatively, in the way it takes care of patients who have already contracted it. A charity must be clear as to its long-term goals and measure the performance appropriate to those goals rather than hiding behind bad economic information with an argument that it is due to effective work for an ill-defined cause. Fiscal accountability is important, but also goals in terms of service to the specific cause need to be set and measured to ensure the ongoing operation of the charity (Drucker 1990).

The following sections will therefore consider the issues involved in quantitative as well as qualitative performance reporting.

Meeting user needs through Quantitative Reporting

Concern for codified and up to date accounting methods for nonprofits has been expressed for more than 25 years, in the United States by Weinstein (1978), in the studies by Bird and Morgan-Jones (1981) (United Kingdom) and Newberry (1992) (New Zealand). Weinstein (1978) blames obscure reporting and the limited accountability to donors on the accounting profession's neglect of founding principles in this sector. Nevertheless, in forming conceptual frameworks, the profession has considered a number of issues related to not-for-profit organisations. Discussion has covered aspects such as the inappropriateness of 'profit' as a measure for the sector and this has been replaced with a measurement of performance and the term 'residual equity' instead of owners' equity (Kerr 1989). She suggests, however, that this latter concept contains little significance as users will be more concerned about financial stability and viability of a not-for-profit organisation, rather than any amount available at winding up. The "goal of catering for all reporting entities is indeed a brave one (Anon 2002: 53)" and a number of areas are identified where neutrality in profit-oriented and not-for-profit reporting will create differences.

One difficulty lies in using an economic model in which assets are known as 'future economic benefits' (Institute of Chartered Accountants of New Zealand 2001a, para 7.7) and equity as the

residual interests in these future benefits. Donors provide a majority of inward cash flows to a charity, but the benefits from the use of those assets do not flow to the asset owners (as the recipient of the residual interests in a charity will be another charity and not the present donors or beneficiaries). The significance of this can be more clearly appreciated with detailed unbundling of the salience of stakeholders, as provided in the latter half of this paper. Furthermore, an over-emphasis on the future economic benefits of an entity may well lead to a mindless sale of valuable, but non-revenue generating assets, in order to increase economic return. Alternatively, the fair value of an historic asset may not reflect adequately the huge maintenance costs involved with its upkeep and also lead to an inappropriate representation of the charity's financial position.

From the financial performance point of view, the lowered relevance of a 'profit' figure means "there is a danger that insufficient consideration will be given to users' needs for financial information to be presented and displayed differently for NFP and business entities (Anon 2002: 55)". Although guidelines in both the United Kingdom and New Zealand provide suggested reporting layouts, lack of differentiation in user needs has been unhelpful (Hyndman 1991). Recently updated charity specific recommendations in the United Kingdom provide "a new format for accounts (which) moves away from judging charities by a single performance indicator (Palmer and Vinten 1998: 347)" recognises the fundamental differences in charity accounting issues and has a concern for consistency of reporting and comparability within the sector (Falk 1987). Yet New Zealand's focus on sector-neutrality restricts charity specific presentation, thus impacting both analysis and charity reporting of compliance with contractual obligations. Although recommended practice in the United Kingdom is therefore more prescriptive than International Accounting Standards, Palmer and Vinten (1998) would argue this reflects the interpretative approach of accounting as a symbolic mediator and is an attempt to make reporting meaningful within the *special accountability* needs that charities face. We suggest that, in fact, accountability needs to be more clearly identified with the different

stakeholder groups, rather than assigning to the sector a particularly special need for accountability.

Further, quantitative fiscal reporting must be balanced by qualitative information to provide process and programme accountability as well as accountability for priorities (Leat 1990). Adequate disclosure of both financial and non-financial information contributes to convincing stakeholders of the need for continued support for the charity's aims, therefore the following section reviews some of the issues involved in such non-financial reporting.

Meeting user needs through Qualitative Reporting

Although appropriate performance measures are required for fiscal accountability and also in the qualitative area, they are difficult to construct and consequently this is a developing issue for the charity sector (Torres and Pina 2003). Further, more work is required to determine effectiveness to users of non-financial measures (Parsons 2003). Gambling, Jones and Karim (1993) note that although narrative reporting is softer than quantified reporting in a mechanical sense, it is harder in moral tone. It is the lack of rigorous procedures to compile such reporting that causes difficulty in comparability of annual reports within a user needs model.

The 1989 legislation that introduced private sector accounting techniques to the New Zealand governmental sector introduced a requirement to report on the service performance of those public sector bodies (Thompson 1995). These Statements of Service Performance have the potential to provide an "unprecedented level of detail on the specific objectives and achievements of the wide range of activities that these entities pursue… to give equal billing to a range of non-financial characteristics (Thompson 1995: 337)". New Zealand is unique in that service performance is designated an accounting technique for external purposes and is codified in order to increase the accountability of governmental and some other not-for-profit reporting. FRS-2 *Presentation of Financial Reports* (Institute of Chartered Accountants of New Zealand 2001b) defines a reporting regime that includes Statements of Service Performance, yet

provides a blanket exemption for organisations which are not legally obliged to produce such a report.

When objectives are stated clearly and performance measures are linked to objectives, non-financial reporting can fulfill accountability demands, especially for such stakeholders as beneficiaries and donors. However, critics respond that the emphasis on outputs, rather than outcomes; combined with the short-term nature of regular reporting, may lead to "important activities becoming submerged (Thompson 1995: 346)". Heritage (1997) suggests that such output reporting can be bland and that outcomes are more appropriate, confirmed by FRS-2 *Presentation of Financial Reports* which encourages reporting on outcomes as additional information (Institute of Chartered Accountants of New Zealand 2001b).

Gray (1984) points to the 'substantial advantage' held by charities over the public sector in qualitative reporting. Given that charities have quite specific aims, they are better able to define objectives and appropriate measures, than the public sector. Gray (1984) believes that, no matter the difficulties, it is vital for the discharge of accountability of charities to account in a form that reflects the social benefit given. He lists outputs or performance indicators under three headings:

- Effectiveness measures (how well the objectives have been met);
- Activity measures (the levels of activity during the year); and,
- Efficiency measures (individual effectiveness measures as a ratio to activity measures) (Gray 1984).

Therefore, it will behoove charities to develop measures to report against their aims and objectives in order to provide external accountability for donations and grants.

Another developing issue is in the area of trustee annual reports, which include a large volume of non-financial information. The United Kingdom based Charity Finance Directors' Group (2003) report recommended that codes of practice be drawn up for officers, in order to help them to comply with best practice, further enhancing accountability within the delegated environment (Leat 1990, Bies 2002).

The area of non-financial reporting is one in which further development of appropriate, rigorous procedures (Gambling, Jones and Karim 1993), and more extensive research of user needs within an accountability and decision usefulness model is required (Hyndman 1990, Khumawala and Gordon 1997). It is one objective of this study to provide a contribution to the analysis of user needs in the Charities Sector.

Are user needs paramount?

Bird and Morgan-Jones (1981), in their review of charities in the United Kingdom, focused on user needs and sought to categorise users of charity reporting in order to find reporting that would be relevant and informative for them. Users identified included the:

- Governing body and employees of charity;
- Donors who wish to support a particular cause;
- Recipients of services;
- Government and community who seek accountability;
- Creditors;
- Donors who want to compare charity efficiency before donating (mainly corporate and grant making trusts).

Their early statement, "there is a natural glory in variety and the present age to standardise should be followed only if positive benefits can be shown to flow from this (Bird and Morgan-Jones 1981: 142)", was mitigated by their findings. There were such severe inconsistencies in the charity reporting they reviewed, they believed reparation would occur only once founding principles and regulation to encourage compliance were developed. The prescriptive approach of the United Kingdom Charity Commission in their Statement of Recommended Practice has been developed against a background of the Bird and Morgan-Jones (1981) study as well as Hyndman (1990, 1991) and others who have reviewed the relevance of charity reporting to user needs.

Arguing against a focus on user needs, Gray stated such a focus was "to the detriment of satisfying the needs of stewardship and accountability (1984: 84)". Focusing on accountability, would, he suggested, enable a charity to encompass all the elements of a user needs approach. An emphasis on user needs may override accountability and he states, "accountability is the central issue (Gray 1984: 84)". Further, as already noted, suitable structures to report on the outputs of a charity needed developing, rather than providing just financial reporting of the inputs. This has lead to the development of more structured trustee reporting in the United Kingdom and Statements of Service Performance in New Zealand.

Anthony (1989) also was supportive of recommendations on the compilation of such sector–specific areas as service reporting, but still emphasised user needs as paramount. He sought alignment of reporting for all entities, leading to consistent, practical standards to provide "users with more useful information about the organisation's financial performance (Anthony in Khumawala and Gordon 1997: 51)".

The New Zealand *Statement of Concepts* straddles this debate by stating the accountability role of general purpose financial reporting provides information useful to users both to assess performance and compliance. Further, such reporting must provide information in order that users may make decisions "about providing resources to, or doing business with, the reporting entity (Institute of Chartered Accountants of New Zealand 2001a, para. 3.1)". This encompasses the concerns of Gray (1984) and others, that stewardship and accountability are important, as well as those who have required a user needs approach in charity reporting (e.g. Bird and Morgan-Jones 1981).

However, the *Statement of Concepts* also mandates accrual accounting for all user reporting, not just contractual situations, encouraging a reduction in fund accounting. Anecdotal evidence shows that despite this, a majority of small charities use cash accounting, a technique endorsed by their auditors. The relative simplicity of preparation (Bird and Morgan-Jones 1981) combined with an unsophisticated user base (Falk 1992), would suggest that cash accounting can provide accountability within the limited sphere of influence of such small organisations.

Whilst it is beyond the scope of this paper to provide an in-depth analysis of fund accounting principles, the reduction in transparency, frequently found when fund accounting is used (Weinstein 1978), outweighs any benefits to users who use fund accounting to track specific legacies through general purpose financial reports.

As the financial reporting environment evolves to emphasise informational concerns, the challenge is to assess users' needs and devise appropriate reporting mechanisms that will enhance charity accountability and transparency, both financial and non-financial. These are specific not-for-profit and charity sector accounting concerns, but they have arisen in a climate dominated by profit-oriented accounting. Any effort to provide accountability will require balancing of user needs and the costs borne by providers.

Further defining accountability by the use of the Mitchell, Agle, and Wood model of stakeholder salience

The previous sections of this study have identified the difficulties in resolving a consensus on construction of accountability for charities. These discussions posit a tension underlying management of accountability functions between the charity and different user groups. In order to more clearly understand why the construction of accountability has proved to be so divergent in the Charities Sector, we propose applying the stakeholder model of Mitchell, Agle, and Wood (MAW) (1997) in order to identify relevant stakeholder groups and provide insights into their relative influence and/or interests in the construction of accountability. The MAW model facilitates stakeholder analysis along three dimensions, and provides a mechanism of identifying the relative salience of stakeholder groups. Such salience contributes to an improved understanding of the construction of accountability between different user groups, only some of which drive new accounting standards or new regulatory bodies.

The MAW model offers a mechanism of unbundling the qualitative distinctions between responses to demands of different categories of stakeholders within the Charities Sector. An expanded description of the application of the MAW model is provided in Baskerville-Morley

(2004), in an application of the model to a transgression event in the history of the profession in New Zealand. Mitchell, Agle and Wood (1997) propose a hierarchal typology, arguing that the traditional 'bicycle wheel' model for stakeholder identification neither captures the ebb and flow in these relationships; nor does it reflect the multilateral and coalitional dynamics between stakeholder groups. The MAW model is based on power, legitimacy, and urgency.

Figure 1 schematically represents the representation of this model, with the three characteristics appearing with overlap when a stakeholder exhibits more than one attribute. At the centre of the model the area of overlap where stakeholders show all three attributes is the area where those stakeholders demonstrate the highest degree of salience or influence on the entity (refer to Figure 1). It is important in this analysis to propose identification of the stakeholders at only one specific time in a sequence of events. Because the dimension of *Urgency* provides a chronological attribute, the position of one particular group of stakeholders may change rapidly as their legitimacy and power attributes fluctuate.

There is agreement in organisational literature concerning the major stages in stakeholder analysis: identification of the groups, determination of their interests, and evaluation of the type and salience of stakeholder power (Wolfe and Putler 2002, page 65 referring to Mitchell, Agle and Wood). In this model (refer Figure 1) the relative salience of stakeholder is determined by the urgency of their demands.

It is predicted that beneficiaries of a charitable activity will never be in the definitive stakeholder category, because they lack the power to coerce the trustees or management, or to impose their will. A normative perspective may posit that, in fact, the regulators act on behalf of the beneficiaries. However, the manner in which accountability is required by regulators is most often restricted to financial measurements, without required non-financial performance measures or standards. It is accountability to non-financial performance or service performance, which impacts on beneficiaries in many charities.

That both donors and beneficiaries may have expectations or moral rights, but that alone, leaves them outside of dominant or definitive categories. The donor can leave, or shift into the demanding category, or if wielding sufficient clout, into the powerful category, whilst beneficiaries remain in the discretionary or dependant categories. An illustration of the relativity of the salience of these seven stakeholder groups is provided by the application of the MAW model to a recent case in New Zealand when a Budget Advisory service attached to a mainstream church suffered from an employee skimming beneficiary bank accounts.

The events

In November 2002 the Methodist Mission in Auckland discovered that an estimated $160,000 had been stolen from its clients who entrusted the Mission with administration of their social welfare benefits. About 650 people, most unable to open a bank account because of personal circumstances, were 'Safe Budgeting Service' clients at any one time. These were people with whom most Governmental agencies would not deal, instead leaving it to the church to provide an 'ambulance-at-the-bottom-of-the-cliff type service' for those with myriad problems, usually related to alcohol and substance abuse (Smith 2004).

The culpable staff member was sacked, and management sent a memo to employees about missing money and closed the budgeting service months later, belatedly acknowledging the fraud and promising to set aside $160,000 to cover the theft. Twenty-one months later (December 2004) beneficiaries are still waiting to be paid. These beneficiaries were not told by the church about problems with the service and learnt of it independently. There is confusion among ex-clients and church management because sometimes the Mission advanced loans, while others had bills paid and were then given the remainder as spending money. Also, there were unauthorised loans to clients, while irregularities were also discovered in the tithe that the church took from each benefit to defray administration costs, called 'koha'.

The malfeasance by the staff member is estimated to have possibly been up to $676,000 per annum. Three beneficiaries recently received $3500 recompense only after intervention by

concerned Mission employees, who campaigned on their behalf (Smith 2004). Bringing the matter into the public arena via a widely read weekly magazine *The Listener* has the potential to provide other beneficiaries' with both moral intensity and urgency, which appears to have been lacking up to this point.

Discussion

To illustrate the usefulness of the MAW model of stakeholder salience in the construction of accountability for charities, we firstly constructed the trajectories of accountability proposed by Hayes 1996 (see Figure 2) at the point before discovery of the thefts. We then reconstructed the salience of stakeholders after the theft was discovered (Figure 3). This process illustrates that there was insufficient knowledge of the defalcation and theft from client bank accounts on the part of those whose monies had been stolen to empower them to shift into the 'Definitive' category. The previous failure of a programme accountability flowing from the Methodist Mission to the destitute and disempowered was not changed when there was a material injustice enacted. The accountability functions had become institutionalized so that process accountability flowed through to those with power, fiscal accountability was provided to stakeholders with both power and legitimacy and legitimate stakeholders without power were most likely to receive an accountability for priorities. It was only selective 'whistle-blowing' by some employees to some beneficiaries that resulted in piece-meal restorative actions.

Tracking the changes in accountability caused by scandal shows that such crises move stakeholders and changes accountability expectations. It is thus suggested that an application of the MAW model clarifies issues surrounding the construction of accountability for the Charities Sector. Combining the MAW model with Hayes (1996) distinctions between the four types of accountability functions enables a clearer identification of the nature of the agency relationship for which accountability functions. The agents (Management) appointed by the Principals (Trustees) have a primary accountability function to definitive stakeholders. This will, in nearly all circumstances, exclude beneficiaries. Their lower salience is due to their lack of coercive

power and lack of urgency. The capacity of individual beneficiaries to pressure for change, or challenge those in power with moral intensity, is rare. It provides an illustration of Gramsci's construction of hegemony i.e. how a dominant or definitive stakeholder group uses power and maintains control. Rather than using force to produce consent, they will try to engineer consent by legitimating a certain ideology. Ideology becomes hegemonic when it is widely accepted as describing 'the way things are', inducing people to consent to the institutions and practices dominant in their organisation (Consalvo 1998). Gramsci referred to this as 'common sense'; an unquestioning belief that this is the way things are supposed to be, with no need for justification.

Three aspects of this particular case support the nexus between the MAW stakeholder's salience, and a hegemonic interpretation, as described by Consalvo (1998). First, a hegemonic position searches for singularizing. The actors draw attention to one issue, when others may be at stake. In this way, stakeholders may unite over a single issue and avoid alternative issues that might cause disagreement. In this case the focus was on the malpractice of one individual, rather than a failure of internal controls or systems in place to check the suitability of that person for employment in the first instance. Another strategy suggested in hegemonic analysis is the identification of aestheticizing and technologizing discourse, which assists the dominant stakeholders to retain their control as outcomes crystallise; e.g. the dominate stakeholders force attention away from social issues and instead attribute the problem to technology. Again, this event was based on the ease with which small amounts of funds could be siphoned from beneficiaries' accounts through direct debits, and access to the computer-based banking systems under the authority of the Budget Advice service. The last criterion suggested to identify a hegemonic position is the presumption that any contradictions are inevitable. The focus was on the inability of the beneficiaries to monitor their finances, as no other banks or other financial institutions would handle them. The dominant stakeholders constructed that they were forced to operate accounts for people who were not trustworthy or sufficiently educated to operate them: a fundamental contradiction. The events at the Methodist Mission can be used not only to

illustrate an application of the MAW model of stakeholder salience, but the consequent activities after a transgression shows hegemonic characteristics matching the MAW stakeholder identification.

Conclusion

Efforts to determine accountability according to simple stakeholder analysis appear at times to flounder in academic analysis with flow charts and systems theories. Regulators and resources providers for charities need accountability defined in financial reporting. In contrast, beneficiaries most often would have their user needs (accountability) better met with comparable non-financial performance reporting. Any proposals for structures encouraging accountability will need to link users and their decisions to the charity reporting that informs those decisions (Leo 2000). The myriad, heterogeneous nature of stakeholders who are potential users, combined with the diverse nature of the sector and a constant struggle for resources within the sector (Lightbody 2001) would suggest the challenge is great. These point to the need for (1) more attention to careful stakeholder analysis before defining accountability; and (2) more research on how non-financial performance measures can be better incorporated as a component of regulation for charity reporting. This study is a contribution towards recognition of stakeholder analysis as a necessary step in defining accountability in this sector.

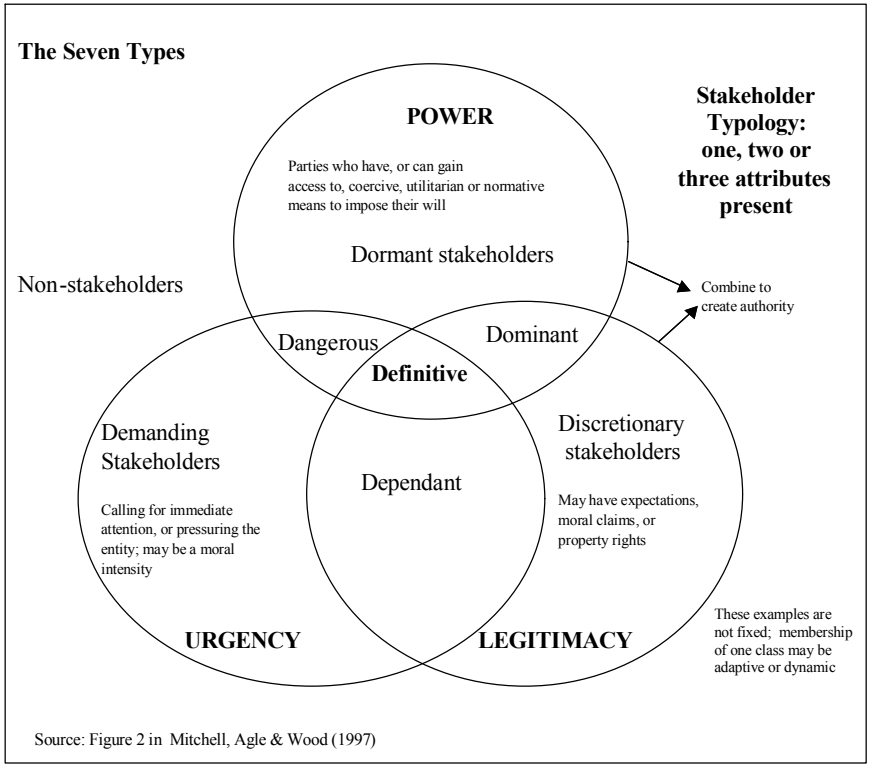

Figure 1: The Mitchell, Agle and Wood model of stakeholder salience

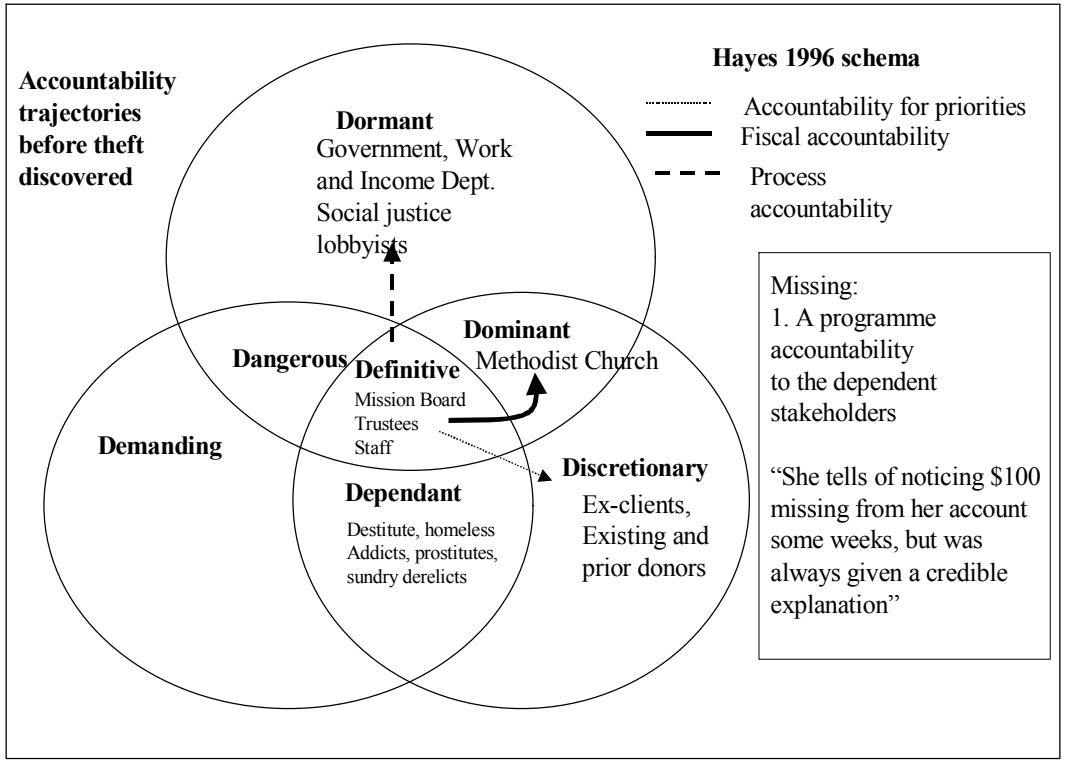

Figure 2: Applying the model of stakeholder salience to Hayes (1996) schema of accountability trajectories at a point before theft discovered

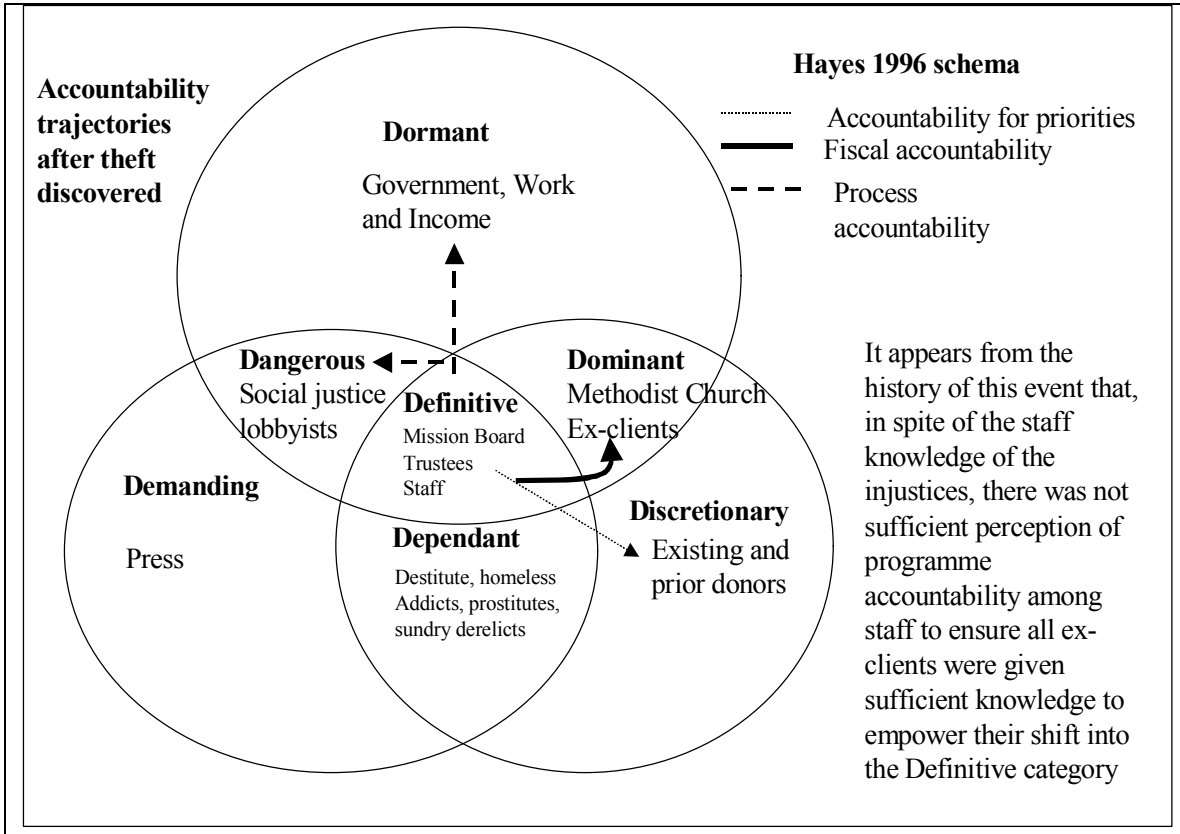

Figure 3: Accountability after discovery of thefts

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