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Accountability in Non-Profit Organisations: Compliance, Ethics, and Power

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Abstract

Accountability constitutes one of the most contested yet essential dimensions of legitimacy within the non-profit sector. Unlike private firms and state agencies, non-profits operate in an environment characterised by multiple stakeholders, diffuse expectations, and heightened vulnerability to reputational risk. This article examines accountability not only as an instrumental mechanism for compliance but also as an intrinsic ethical commitment. Drawing on governance and public administration theories—including principal–agent, stewardship, stakeholder, and legitimacy perspectives—the analysis demonstrates that accountability is best understood as a dynamic negotiation of power between donors, governments, beneficiaries, and communities. The article further considers how crises of trust and high-profile scandals have exposed the limitations of compliance-based models, reinforcing the need for participatory and rights-based approaches that privilege downward accountability. By situating accountability as both a technical and political process, the discussion highlights its role as a strategic resource for resilience and trust-building. The study contributes to theory by integrating multiple accountability frameworks and to practice by outlining how non-profits can design balanced accountability systems that move beyond procedural oversight toward legitimacy, justice, and empowerment.

Keywords

accountability; legitimacy; governance; stewardship theory; stakeholder engagement; power relations

1. Introduction

Accountability has emerged as a central determinant of legitimacy in the non-profit sector. Unlike private corporations, accountable primarily to shareholders, or state agencies, accountable to electorates, non-profits face a far more complex set of obligations. Stakeholders are numerous, expectations diverse, and legitimacy fragile (Ebrahim, 2003; Edwards & Hulme, 1996). In this environment, accountability is not a peripheral administrative requirement but an essential mechanism that sustains public trust, donor

confidence, and mission fidelity. Failures in accountability can quickly erode credibility and weaken the social contract with the communities organisations are designed to serve (Najam, 1996; Suchman, 1995).

This article explores the multiple dimensions of accountability, bridging theory and practice to examine how non-profits navigate competing demands. It situates accountability within broader governance debates and considers how ethical, political, and procedural factors intersect in shaping legitimacy.

2. Context and Theoretical Background

The literature distinguishes between **instrumental accountability**—compliance, reporting, and resource management—and **intrinsic accountability**, rooted in ethics and responsibility toward communities (Koppell, 2005; Banks et al., 2015). These dimensions often coexist in tension, forcing organisations to balance donor requirements with moral commitments to beneficiaries.

Several theoretical frameworks deepen this understanding:

- **Principal–agent theory** frames accountability as a contractual relationship, aligning donor expectations with organisational actors while controlling for mission drift (Jensen & Meckling, 1976).
- **Stewardship theory** highlights trust and intrinsic motivation, presenting managers as aligned with mission rather than opportunistic (Davis, Schoorman, & Donaldson, 1997).
- **Stakeholder theory** expands accountability to a wider set of actors—beneficiaries, staff, governments, and communities (Freeman, 1984).
- **Legitimacy theory** positions accountability as a means of securing social acceptance and institutional survival (Suchman, 1995).

Together, these perspectives underscore the multidimensional, contested nature of accountability in non-profit governance.

3. Crises of Trust and the Limits of Compliance

Recurring scandals have amplified calls for stronger accountability in the sector. High-profile cases of financial mismanagement, ethical misconduct, and aid diversion demonstrate the fragility of public trust (Transparency International, 2018; BBC, 2018). While compliance-oriented measures—such as stricter donor reporting and tighter regulatory frameworks—are necessary, they have not been sufficient to restore legitimacy.

Oversight mechanisms may deter misconduct but cannot by themselves cultivate ethical practice or rebuild stakeholder confidence (Gugerty & Prakash, 2010).

These crises reveal that accountability cannot be reduced to technical reporting. Instead, it requires a systemic approach that combines compliance with ethical reflection and stakeholder inclusion.

4. Accountability as Power and Politics

Accountability also operates as a negotiation of power. Donor-driven accountability often prioritises upward reporting at the expense of communities, reinforcing asymmetries in the aid relationship (Edwards & Hulme, 1996). In contrast, participatory and rights-based approaches seek to rebalance accountability, privileging the voices of beneficiaries and framing accountability as empowerment and justice (Cornwall, 2007; Banks et al., 2015).

This reframing highlights accountability not only as information disclosure but as a struggle over whose standards matter, whose voices are heard, and whose authority is recognised. Recognising this political dimension is essential for designing more equitable accountability frameworks.

5. Discussion

The challenge for non-profits lies in balancing multiple and sometimes conflicting accountabilities. Instrumental approaches provide control but risk bureaucratisation and donor dominance. Intrinsic approaches strengthen trust and legitimacy but may lack enforceability. Hybrid frameworks are needed that embed compliance mechanisms while also institutionalising participatory, ethical, and downward-facing forms of accountability.

Future accountability innovations are likely to integrate digital transparency tools, community scorecards, and co-created monitoring systems. These mechanisms can bridge donor requirements with community empowerment, aligning accountability with both efficiency and justice.

6. Conclusion

Accountability in the non-profit sector is not a singular process but a multidimensional negotiation of compliance, ethics, and power. Moving beyond procedural reporting toward participatory and intrinsic forms of accountability is critical for sustaining legitimacy and trust. For academics, this underscores the need to bridge governance theories with political and ethical analyses. For practitioners, it highlights the imperative of designing accountability frameworks that are both credible to donors and empowering for

communities. Ultimately, accountability is best understood not as a burden but as a strategic resource that strengthens resilience, enhances legitimacy, and maximises mission impact.

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