

Accountability and social impact evaluation in a small NPO: stakeholder ambiguity, networks and trust

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Abstract

Purpose – Accountability via social impact (SI) reporting is essential in the third sector, but its delivery is difficult to achieve for small non-profit organisations (NPOs). This case study of a regional NPO aims to explore social impact evaluation (SIE) to understand accountability in this context as for whom, for what and how.

Design/methodology/approach – Interview data from 18 NPO stakeholders (in industry, university and government) were analysed thematically.

Findings – The study identifies three themes, finding, firstly, that stakeholders perceive the NPO as adding value that is difficult to quantify. Secondly, the NPO builds trust but this is associated with one key person, suggesting both accountability and vulnerability. Thirdly, blurred stakeholder boundaries make it difficult to identify who is accountable for what. The intangible nature of the NPO's activities and overlapping responsibilities identified in these three themes mean extracting SI measures is difficult.

Research limitations/implications – The study extends research into how competing stakeholder views and ambiguity interact with “doing” SIE and adds to our understanding of NPO stakeholder accountability and the unintended consequences of attaching SI value to NPOs. Further research should examine SIE within other small, under- and well-resourced NPOs and test its impacts longitudinally.

Practical implications – Some recommendations for SIE approaches are drawn from the interview data.

Originality/value – While much of the literature on SIE focuses on large entities, this study examines the practical and conceptual issues of a small third-sector entity attempting to deliver accountability via SI reporting.

Keywords Social impact evaluation, Accountability, Non-profit organisations, Stakeholder ambiguity, Trust

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1. Introduction

Social impacts (SIs) are enshrined in non-profit organisations' (NPOs) altruistic missions and are therefore a critical measure for NPOs. This link to mission attainment means that social impact evaluation (SIE) and reporting can also be viewed as an accountability information strategy (Pilon and Brouard, 2023) by which NPOs discharge their accountability to stakeholders (*to whom*) about the social outcomes achieved from funding (*for what*), and *how*

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Declaration

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they do so (Chu and Luke, 2023). Like other forms of reporting on mission, delivering accountability using SIE is complicated by the conflicting accountability demands of multiple stakeholders (Hall and O'Dwyer, 2017) and by how managers prioritise communicating with different groups of stakeholders (Hall *et al.*, 2015).

Pilon and Brouard (2023, p. 432) define an accountability system as “a relational process”, an “information strategy to manage the demands of the organization’s stakeholders . . . based on underlying values and processes”. Specifically, the SIE accountability system assesses managers’ performance against the mission of social enterprises and NPOs (Arena *et al.*, 2015; Arvidson and Lyon, 2014; Costa and Pesci, 2016; Kleszczowski and Raulet-Croset, 2022), reporting on the prosocial results or outcomes an organisation has achieved from implementing programs and activities, as well as providing evidence of suitable and efficient resource usage. Discretion as to what is measured and reported lies with the organisation (Arvidson and Lyon, 2014). Different methods for measuring SI include quantitative judgements like Social Return on Investment (SROI – a ratio of investments to social value), benchmarks of performance using mixed quantitative and qualitative assessment or selective, narrow approaches that model relationships between assumptions and results (Corvo *et al.*, 2022; Maier *et al.*, 2015; Polonsky *et al.*, 2016; Rawhouser *et al.*, 2019). More complex methods require assessment against similar organisations and previous outcomes (Arvidson and Lyon, 2014). Initiating SIE implementation where measurement and reporting of SI are not already entrenched is difficult and can be expensive (McLoughlin *et al.*, 2009), highlighting the ethical vulnerability of under-resourced small NPOs (Maier *et al.*, 2015). Its retrospective and prospective reporting timeframe, inconsistent application of constructs of social value (Chu and Luke, 2023; Kah and Akenroye, 2020; Polonsky *et al.*, 2016) and variation between contexts in NPOs means that SIE can be oversimplified, limited to “positivistic ‘mechanical’ economic models of cause and effect” (Dayson, 2017, p. 397) and perceived as arguably a marketing exercise (Arvidson and Lyon, 2014).

Another complicating factor for NPOs is their extensive stakeholder groups that benefit from, or are interested in, their prosocial activities. SI is understood differently by different stakeholders, whose views expand the scope, understanding and measurement of social value (Dayson, 2017). Ambiguity and power imbalances between stakeholders can distort, alter or compromise relationships and challenge objective reporting on SIE. This may be particularly relevant where SIE measurement standards are underdeveloped, as in small entities (Ebrahim and Rangan, 2014; Kah and Akenroye, 2020; Rawhouser *et al.*, 2019), yet research focusing on this context is limited (Cordery *et al.*, 2019). Smaller NPOs are characterised by overlapping stakeholder roles known as stakeholder ambiguity (Billis and Glennerster, 1998) and are often staffed by volunteers, whose work is not easily quantified. In small NPOs, some stakeholders have more influence on reporting than others. Further, reporting is influenced by both the epistemic beliefs and expressive styles of managers and by the material resources available to the organisation (Hall *et al.*, 2015).

As stakeholders change, so does the relative importance of their accountability needs. The introduction of an SIE process requires the development of technical expertise and “material arrangements, such as data systems and reporting formats” (Hall *et al.*, 2015, p. 912), which diverts resources from mission attainment to accountability information collection. In smaller NPOs with scarce resources this makes delivering – and evaluating – accountability on social value more challenging. Yet SIE may be critical to NPOs’ mission and survival – displaying evidence of “primary stewardship” to society (Chen, 1975, p. 536) is especially important when seeking competitive funding from external sources and particularly so in instances of market or government failure (Billis and Glennerster, 1998; Dayson, 2017).

This study examines a small [1] NPO in regional Australia. The NPO operates as an industry collective, with an entrepreneurial leader seeking to implement SIE for the first time. Data were collected in 2019, during the production of its first SI report. Paradoxically, the resources to conduct SIE are extremely limited in this enterprise, but without SIE the organisation is less likely to attract additional funding. This SIE expense versus funding needs

tension is likely to be common to similar organisations at a time when they are at the cusp of potential growth – an ideal time to examine stakeholder perspectives (Billis and Glennerster, 1998).

This study utilises qualitative data collected from a series of interviews with stakeholders during the SIE process. The NPO in this case study requested quantification of its past social value to present to potential funders. Interview data collected was used for the SI report and for this research. This provided a unique opportunity to explore what stakeholders communicate about the real-time issues associated with SIE at the point where upward stakeholders are added to the mix for the first time.

The study directly addresses the who, what and how questions of accountability system or strategy and the way these are mobilised via SIE. The study, “grounded in the practice dilemmas [arising from accountability claims] that non-profit leaders must address” (Benjamin *et al.*, 2022, p. 337S), finds the “who” – the NPO’s multi-stakeholder perspective – is an ongoing practice dilemma for SIE, in which stakeholder interaction acts as evidence of SI in this NPO. It also identifies the complexity of the “what” in SIE, revealing competing priorities emerging from external funder stakeholders and existing stakeholders. Further, using the setting of an emergent SIE process, this article describes “how” existing and emerging stakeholder voices influence the communication, prioritisation and understanding of different forms of value in developing a new accountability information system.

The findings reveal the tension in a NPO with highly regarded SI but that does not easily translate into high economic value. The impact of this organisation is closely aligned with the personal qualities of its founder and leader, which are difficult to quantify, value, certify or replicate. An absence of records and prior measurement of outcomes until the time of this study when external funding was being sought, makes the process of arriving at a quantum of historical value impossible. The findings outline the diverse stakeholder understandings of the measurement objectives of SIE and the consequent conflicting expectations of SIE results, as well as how data may be misrepresented. The study also highlights the accountability tensions emerging in a small NPO where much of the information and activity is reliant on one key person, and the vulnerabilities associated with that. Similar to the outcome of the blended approach in Dayson (2017), a set of forward measures of output constructed for the NPO is proposed that should be relatively inexpensive to collect, allowing for reporting of its impact to funders in future SIE iterations. Yet whether these output measures can accurately measure SI is not clear.

This article’s unique contribution stems from its insights into SIE emerging from the examination of the case of a small regional NPO. It tests and extends the work of Billis and Glennerster (1998), contributing to the understanding of how competing stakeholder views and ambiguity interact with “doing” SIE. It also adds to the work of Dayson *et al.* (2023) about stakeholder characteristics in smaller voluntary organisations and attributes an SI value to these unique characteristics, connecting SIE with upward accountability. It extends research on the importance of stakeholder voices and internal conceptualisation of stakeholder importance when developing new accounting and reporting systems targeted at stakeholder interests (Arvidson and Lyon, 2014; Crilly and Sloan, 2012; Hall *et al.*, 2015). Finally, it sheds light on the tension between stakeholders’ perceptions of the important ways in which NPOs deliver SI and their perceived notion of how to derive and communicate its value (Hall *et al.*, 2015). The findings are valuable for both research and practice, providing a foundation for further SI study and supporting NPOs in efforts to collect data for future use. They highlight important considerations aligned with standardisation and assurance of SI reporting in small NPOs.

This article proceeds with Section 2 reviewing key literature regarding SIE and accountability in small NPOs. Section 3 includes the methods of data collection and analysis. Section 4 provides background on the NPO. Findings and analysis are presented in Section 5 and discussed in Section 6. The article concludes with Section 7 and provides suggestions for further research and limitations.

2. Literature review

The mission of NPOs is often not focused on activities that are monetary in nature (Costa and Pesci, 2016) but rather on the less tangible ideas of societal well-being. Their work is usually funded by donations from government, philanthropic organisations and the public (Arenas et al., 2015), bringing accountability obligations, including reporting on their use of funds against targets (Agyemang et al., 2017). The literature suggests this accountability is directed towards three groups of stakeholders with potentially irreconcilable needs: (1) an “upward” focus towards funders; (2) a “downward” focus towards clients; and (3) an “internal” accountability to internal stakeholders, including boards and advisory bodies (Benjamin et al., 2022, p. 318S). For NPOs, the delivery of accountability is further complicated by the ambiguity that arises when stakeholders come from different sectors with competing “rules of the game” (Billis and Glennerster, 1998, p. 90). As a result, while a generally accepted institutional pressure means that NPOs should account to their stakeholders, what constitutes effective use of funds is less clear. SIE is one response to demands for outcome accountability (Benjamin et al., 2022) and appears to be a commonly accepted “rational myth” that affords NPOs legitimacy (Kleszczowski and Raulet-Croset, 2022 p. 357). SIE brings to NPOs the performance measurement, reporting and results-focused control commonly acceptable in for-profit entities (Bagnoli and Megali, 2011; Hyndman and McConville, 2018). Accountability management can be viewed as a system of governance mechanisms and the information strategies developed to satisfy these stakeholder needs (Pilon and Brouard, 2023).

SI is an intangible phenomenon with complexity, ambiguity and judgement inherent in its evaluation and is subject to heterogeneous, inconsistent, localised approaches (Kleszczowski and Raulet-Croset, 2022; Luke et al., 2013; Rawhouser et al., 2019; Yang et al., 2021). While consensus as to whether NPOs should be responsible for all levels of their SIE is lacking (Ebrahim and Rangan, 2014), those arguing in favour point to the potential for this form of reporting to offer better resource allocation decisions for donors and the measurement of desired behaviours (Adams et al., 2021). As a form of voluntary disclosure, SIE can assist NPOs in gaining potential donors or restoring the trust of existing donors (Ebrahim, 2016; Guo et al., 2022). In contrast, it may also cement poor communication, particularly if a “governing body . . . is secure in its own ignorance” (Billis and Glennerster, 1998, p. 91). Previous studies highlight variation in time intervals, the use of a narrow or multi-level focus and the lack of generalisability of findings (Kah and Akenroye, 2020; Rawhouser et al., 2019). Further, the size of the NPO may influence the way SIE is conducted, with smaller organisations having unique properties relating to stakeholder engagement and access to funds.

2.1 Why size is important when considering SIE in small NPOs

Existing research mostly focuses on large NPOs, but most NPOs are small and less-well resourced (Cordery et al., 2019). This lack of research may be because size is defined arbitrarily, according to the country or by researchers (Dayson et al., 2023, p. 804) or because access to data on small NPOs is restricted, given they are less likely to be required to provide formal, publicly available reporting (Pennerstorfer and Rutherford, 2019). Regardless, the work of these small, grassroots NPOs is acknowledged as important (Adams et al., 2021), as is their unique and fragile nature (Dayson et al., 2023). Their size and structure benefit from stakeholder ambiguity (Billis and Glennerster, 1998) that delivers relatively better “institutional sensitivity to and knowledge about service users’ needs” (Dayson et al., 2023, p. 801), and they are also more likely to benefit from embeddedness in their local geographical community, being person-centred and their informal familial organisational cultures (Dayson et al., 2023).

However, their small size also potentially limits NPOs’ access to significant funders and, consequently, their growth. Further, their ability to meet the obligations associated with such funding, like SI reporting, is burdensome. Smaller NPOs are likely to lack resources and time, face excessively onerous demands from funders and donors and are not represented in

regulatory discussions (Adams *et al.*, 2021). Adams *et al.* (2021) suggest that the imposition of overly formalised SI reporting may be discriminatory, increasing their administrative burden or even forcing them out of operation. However, Chu and Luke (2023), in a study of Australian NPOs, find no difference in reporting on social performance based on NPO size. It should be noted though, that less than half of the Australian NPOs in their study (irrespective of size) account to stakeholders in this way, prompting the authors to call for further testing of the link between such reporting and funding outcomes.

NPOs seeking to overcome the burden of numerical methods of SIE may resort to qualitative descriptions of performance (Luke *et al.*, 2013; Chu and Luke, 2023) or a blended approach (Dayson, 2017). Some studies suggest that resource-stretched small entities could document the outputs of their social endeavours first, using qualitative as well as quantitative approaches for pragmatic, localised studies (Curtis and Sweeney, 2023; Kah and Akenroye, 2020; Kleszczowski and Raulet-Croset, 2022). In small NPOs, accountability may be informal (Denedo *et al.*, 2019), providing opportunities for dialogue or what Agyemang *et al.* (2017) call “conversations for accountability” with funders. This informal SIE methodology relies on the advantages of entrenched stakeholder ambiguity and knowledge in small entities.

2.2 Stakeholders in small NPOs

The management and governance structure of small NPOs is often largely composed of voluntary actors driven by altruism. Small size and few resources limit the number of internal actors and there is no traditional divide between principals and agents because there is no profit motive; the community at large is the principal (Bagnoli and Megali, 2011). In small NPOs, there is also heightened power imbalance (in favour of funders) and information asymmetry (in favour of managers) (O’Dwyer and Unerman, 2008). Management decisions are monitored by externally imposed performance-based contracts and governance in the form of voluntary board members (Arvidson and Lyon, 2014; Ebrahim and Rangan, 2014; Greiling and Stötzer, 2015). Managers of NPOs may be motivated by social outcomes different from those of their many stakeholders and are therefore vulnerable to agency conflict (Van Puyvelde *et al.*, 2012), influencing their measurement choices and promotion and reporting of SI (Arvidson and Lyon, 2014).

Critics of SI measures argue that they can be crafted to portray NPOs advantageously, not unlike agency-motivated earnings management in for-profit organisations (Costa and Pesci, 2016). NPO managers may challenge authorities, manipulate the presentation and content of disclosures and selectively reveal only favourable information in discretionary or voluntary SIE exercises (Arvidson and Lyon, 2014; O’Dwyer and Unerman, 2008). They may also focus on easily measured attributes of SI that distort the NPO’s focus on its mission rather than those that are difficult to measure (Polonsky *et al.*, 2016). More broadly, accountability measures motivated, for example, by money rather than mission may undermine organisational values (Dhanani and Connolly, 2015). This suggests that both positive and negative changes (O’Dwyer and Unerman, 2008) may be introduced from simply measuring the SI of an NPO.

NPOs are accountable to a wide group of stakeholders (Crawford *et al.*, 2018; Dhanani and Connolly, 2012; Freeman, 1984), which may include external parties like donors, funders, governments, foundations and clients, as well as internal ones like trustees, employees, volunteers and management (Andreus and Costa, 2014; Crawford *et al.*, 2018). Demands for accountability may not be uniform across all stakeholder groups (FitzGibbon, 2021). Consistent with the managerial branch of stakeholder theory, satisfaction of these demands requires NPOs to manage relationships with stakeholders, initiate and respond to dialogue, negotiate outcomes and requirements and respond to stakeholder pressures to prioritise and satisfy competing demands (Kaur and Lodhia, 2018; Pilon and Brouard, 2023). Stakeholders, in return, are often actively engaged in the accountability reporting process, in planning strategic directions and in assessing performance (Kaur and Lodhia, 2018).

Supplementing financial reporting, SIE forms part of an information strategy, communicating with stakeholders about an NPO's operations and achievement of its mission (Egholm *et al.*, 2020; Luke *et al.*, 2013; Pilon and Brouard, 2023). Stakeholders with different values and views on evaluating performance may cause disagreements or encourage cumbersome behaviours like "tactical compliance" with donor specifications (Agyemang *et al.*, 2017, p. 994). When developing SIE, insider stakeholders and SIE practitioners will simultaneously juggle both the social mission and the constraints of financial and operational longevity (Costa and Pesci, 2016; Grieco *et al.*, 2014; O'Dwyer and Unerman, 2008).

Costa and Pesci (2016) propose overcoming this inter-stakeholder conflict by using a multiple-constituency approach to SIE that can include micro- meso- and macro-level factors (Utting, 2009). However, these are time-consuming to prepare (Kleszczowski and Raulet-Croset, 2022), and the literature highlights a lack of agreement about how to measure multilevel effects (Arvidson and Lyon, 2014; Mouchamps, 2014; Rawhouser *et al.*, 2019). A narrow approach is favoured in practice – a "golden standard" that is held out to be the one true measure of SI (Costa and Pesci, 2016). However, this single measure can be highly politicised and biased towards more powerful stakeholders' needs (Costa and Pesci, 2016; O'Dwyer and Unerman, 2008) and cannot capture the "proliferation of tools and methods of SIE" in practice (Kleszczowski and Raulet-Croset, 2022, p. 360).

The costs of engaging in SIE can be offset against long-term performance, reporting and accounting improvements and afford internal stakeholders strategic opportunities (Grieco *et al.*, 2014). Benefits include qualitative sharing by stakeholders during the calculation of SI as a "mediating technology" to resolve conflict (Corvo *et al.*, 2022, p. 62), funding improvements (Maier *et al.*, 2015) and increased legitimacy for stakeholders that initiate the SIE (Maier *et al.*, 2015).

2.3 NPOs and accountability

NPOs' accountability demands are complex, including both upward accountability, to donors, governments, regulators and funders (O'Dwyer and Boomsma, 2015) and downward accountability, to beneficiaries and society at large (Boomsma and O'Dwyer, 2019; Kingston *et al.*, 2020). Since accountability is context-dependent and imperfectly defined, management approaches to satisfy stakeholder needs may differ depending on the type or purpose of the NPO (Pilon and Brouard, 2023). Pilon and Brouard (2023) identify three key dimensions of an accountability system – the relationships between stakeholders, the governance mechanisms in the NPO, and the information strategies the NPO adopts to communicate externally and internally. Information strategies seek to satisfy the three "core characteristics" found within prior accountability literature – *to whom* and *for what* are NPOs accountable, and *how* do they account? Underpinning these are accountability values and purposes. Internal accountability values include "transparency, responsibility, integrity, openness, responsiveness and answerability" (Pilon and Brouard, 2023, p. 432). Accountability purposes include "performance, legitimacy and trust" (Pilon and Brouard, 2023, p. 432).

The motives for providing such accountability are debatable. The accountability system is managed from a basis of internalised values on the one hand and desires to communicate the NPO's purposes to external parties on the other (Pilon and Brouard, 2023). Kemp and Morgan (2019) highlight that NPO managers may genuinely perceive the NPO as responsible for publicly accounting to stakeholders. Alternately, they may perceive public accounting as an exercise of trade-offs between the needs of important stakeholders and organisational survival (FitzGibbon, 2021).

From a financial reporting standpoint, the financial and fiduciary needs of external (upward) stakeholders take priority (Agyemang *et al.*, 2017; Andreus and Costa, 2014), with an emphasis on characteristics like reliability, transparency and understandability (Crawford *et al.*, 2018). Positive outcomes of compliance with stakeholder needs include improved social legitimacy and reputation, demonstration of organisational values, protection of

independence, activities focused on achievement of mission and improvement of relational ties with stakeholders (Agyemang *et al.*, 2017; Goncharenko, 2019). Accountability priorities for SI reporting, which includes both relational and social attributes and considers the informational needs of both upward and downward stakeholders, are less clear. For example, Ebrahim (2016) suggests that NPOs may be motivated to account to those members with the power to demand accountability to avoid those members' withdrawing support. In contrast, they find that clients of service organisations experience a power deficit with regard to accountability.

NPOs are increasingly asked to report on the results derived from the use of resources provided by external parties (Ebrahim, 2016). Stimulated by the competitive demands for scarce funds, NPOs may resort to approaches more commonly found in for-profit entities, evidenced by the language used to describe accountability measures, such as return on investment and SWOT analysis (Goncharenko, 2019). Cordery *et al.* (2019) identify that audited financial reports may be considered insufficient, in part because of the extensive needs of a large stakeholder base, and NPOs often resort to customised accounts. Certainly, as Kemp and Morgan (2019) report, charities and their funders do not share a common understanding of the qualification of accounts, and this may mean financial reporting outputs are less decision-useful. Achieving mission goals may be more difficult when this occurs (Crawford *et al.*, 2018).

However, studies have shown that many of the requirements of upward accountability also concurrently serve the purpose of accountability to beneficiaries. For example, powerful stakeholders can influence how resources are directed, thus holding the NPO to account (Goncharenko, 2019; Uddin and Belal, 2019). In addition, an overlap in stakeholders' accountability requirements, for example, "participation, monitoring, evaluation and lessons learning" (Uddin and Belal, 2019, pp. 129–130) may achieve broader goals, even if the focus is upward accountability.

2.4 Quantitative and qualitative measurement of SI

SI reporting has emerged as a way of reporting on the achievement of mission, elevating SIE beyond simple, straightforward measurement. Mission success depends on the framing of the mission statement and how many stakeholder's "social goods" are improved and "social bads" are reduced or eliminated (Kroeger and Weber, 2014; Nicholls, 2009; Rawhouser *et al.*, 2019). Many NPOs are focused on delivering better social outcomes, resulting in organisational identity and SI delivery being intertwined (Grimes, 2010; Saurabh, 2019). SI reporting also changes over time (Saurabh, 2019), particularly as the relationship between funders and funded organisations develops. Therefore, while it is clear that relationships between stakeholders are important for NPOs (Saurabh, 2019), how these add to SI outcomes, how they inform and interact within the SIE process, and how they might be measured are less clear.

Measurement of NPOs' SI outcomes incorporates both concrete achievements and improvement in the well-being of beneficiaries (Bagnoli and Megali, 2011). Analyses are often political because they "involve monetizing and comparing things that are often regarded as priceless and unique, like human lives, health or nature" (Maier *et al.*, 2015, p. 1816). Quantitative measurement cannot approximate sentiment or changes in opinion due to an NPO's intervention. The value and longevity of collaboration between NPOs and their stakeholders present quantification dilemmas, as do NPO managers' propensity to resist reporting failures (Polonsky *et al.*, 2016). For regional NPOs, measurement of SI may be hampered by difficulty in identifying knowledge flows and localised capital returns. The valuation of individual contributions to regional knowledge networks and specifics of regional development creates additional barriers when identifying data and indicators for the measurement of these intangible assets (Suriñach and Moreno, 2011).

Nevertheless, in the fair value era, much emphasis is placed on arriving at a numerical value to report, and, from this perspective, SI might be viewed as an intangible asset. In smaller

NPOs with limited resources, the valuation of this “asset” may be conducted erratically and focus on easily measured outcomes (Kah and Akenroye, 2020). NPOs may avoid complex measures and not direct limited funds to develop SIE (Maier *et al.*, 2015; Polonsky *et al.*, 2016). Inaccuracies in the SI value produced may cause ethical dissonance for those with financial reporting responsibility concerned with the impact of inaccuracy on report users (Hunt *et al.*, 2022).

Polonsky *et al.* (2016, p. 83) conclude that “no one approach captures all aspects of social value, rather multiple multifaceted measures are needed”. SIE studies include many variables (Grieco *et al.*, 2014) and approaches that can deliver different values from the same data (Corvo *et al.*, 2022). Performing quantitative SIE is time-consuming and expensive. Under-resourced smaller entities are therefore ethically vulnerable, being less able to justify the use of scarce funds to cover the expense of implementation (Maier *et al.*, 2015). The outcome could be “an incomplete or untruthful analysis of the SI generated by the activities” or mission drift (Corvo *et al.*, 2022, p. 60; Ormiston and Seymour, 2011; Polonsky *et al.*, 2016). Alternative SIE processes for smaller entities use narrow parameters like single sectors to model the relationships between SI and variables like performance ratios (Polonsky *et al.*, 2016; Rawhouser *et al.*, 2019). Funders show some success in benchmarking the performance of NPOs anyway (Maier *et al.*, 2015; Polonsky *et al.*, 2016), underscoring whether complex methods are needed for SIE.

3. Methodology

A case study, qualitative (interview) approach is used to address the research questions and explore the SI of the regional NPO in this study. This exploratory, context-based method is appropriate when examining detailed and potentially conflicting social realities as it “enable[s] the revelation of complexity, depth, detail, richness, texture and meaning” (Parker, 2014, p. 14). “Performative” and “pragmatic” research (Massaro *et al.*, 2016, p. 282) that captures the views of multiple stakeholders is consistent with the approach suggested by Rawhouser *et al.* (2019) for measuring social outcomes over an extended observation period. During the research process, qualitative researchers are “reflexively engaged”, that is, actively considering the context, organisational phenomena and relationships while interpreting the meaning of interview data (Parker, 2014, p. 15).

In 2019, the NPO in this study approached the research team [2] to complete an SI report it perceived as necessary for grant funding applications. The NPO was resource-poor and little funding was available for this purpose, leaving it unable to engage professional evaluators [3]. Motivated by the opportunity to conduct a first-hand *in situ* review of a practice dilemma (Benjamin *et al.*, 2022), the researchers adopted a multilevel approach, conducting 18 semi-structured reflexive research interviews (Qu and Dumay, 2011). While one of the outcomes produced by the research team was the identification of potential future proxies for SIE in the NPO, the study methodology was more exploratory and descriptive than interventionist. The researchers did not implement their suggestions or actively change the organisation during the research process. Data were gathered to complete the SIE with a dual research purpose. The first was to document the SI of the NPO in the case study. The second is documented in this article.

Interviewees were representatives from business, the education sector and government, involved in the region and either employed in the NPO, on its Board of Directors, within its Advisory Committee or direct participants in its services. This three-pronged segmentation of interviewees was selected because it reflects the triad of industry, university and government or the Triple Helix model necessary for regional economic growth and knowledge innovation (Etzkowitz and Leydesdorff, 1995). Initial interviewees were proposed by the CEO. Further interviewees were identified using a snowballing convenience sample but limited to those with close and regular contact with the NPO. The researchers sought multiple interviewees from each of the sectors in the triple helix. This approach, creating a targeted, purposive sample of

interviewees, was appropriate in this study, and, like other sample sizes in case studies (Dayson *et al.*, 2023; Parker and Northcott, 2016), was restricted by the small total population of potential interviewees given the size of the organisation. Table 1 lists the designations for the participants in this study by stakeholder group [4] and the length of each interview (on average, 50 minutes, varying from around 16 minutes to around 102 minutes).

In the interviews, participants were asked to discuss their: knowledge and insights related to the NPO's engagement activities, suggestions for proxies or similar ways of valuing activities, perspectives on interaction amongst stakeholders, views on organisational-level challenges faced and knowledge of macro-level contextual regional factors.

Interviews were conducted by one or two members of the research team in person, except for one inter-state interview conducted by telephone. Interviews were recorded and then transcribed verbatim. The data was then coded thematically following a grounded-theory approach by one researcher (not the author of this article) using NVivo. This article describes these themes relevant to the measurement of SI, relying on this initial coding and a second round of coding of the data conducted by the author. This second round of coding confirmed the grounded-theory themes identified earlier during the production of the SI report. Quotations are selected from the transcripts that best describe the theme under discussion. Where possible, supporting excerpts or attribution of a theme or perspective to additional interviewees is provided by referring to their descriptor, following the recommendations provided by Brennan (2022). Internal documents sourced from the organisation were examined to assess shortcomings in existing recordkeeping [5]. During the study, the research team met with the CEO in person on two occasions, toured the premises of the NPO and were introduced to staff, and attended one of its strategy meetings as observers. These meetings and the tour provided the research team with context on the NPO and served to familiarise potential interviewees with the study. The SI report was iteratively reviewed by key stakeholders, including the CEO and members of the board, who provided input and feedback on its content. This article is independent of this review and has been produced without input from the NPO and its stakeholders.

Table 1. Stakeholder groups

Stakeholder group	Participants	Length of interview (minutes)
Government	Govt1	64:03
	Govt2	69:02
	Govt3	39:42
	Govt4	38:05
Industry	Ind1	49:27
	Ind2	36:57
	Ind3	36:56
	Ind4	39:01
	Ind5	71:30
	Ind6	55:15
	Ind7	35:25
Education sector	Edu1	102:04
	Edu2	46:56
	Edu3	27:08
	Edu4	16:08
Industry bodies	IB1	39:34
	IB2	37:11
	IB3	44:50
Average		49:50

Source(s): Author's own work

4. Background

4.1 The region

The NPO is located in regional Australia, in an area dominated by small and medium-sized entities (SMEs) and below-market average R&D activities, patent applications and new product innovations. Around 18% of the 350,000 residents of this region are university-educated and 25.4% are classified as low-income earners [6]. As a result, some citizens of this region are not only financially but also “societally disadvantaged”, that is, stigmatised by politicians or society that “chooses not to listen” (Billis and Glennerster, 1998, pp. 87–88). Edu2 suggests there is a “lack of . . . business sophistication, finance sophistication . . . their knowledge of how to grow their business is rudimentary”. IB2 observes that “everybody knows what the regional issues [and] problems are, but nobody wants to do anything about them”. Facing a breakdown of market, and a political structure that limits allocation of funds to the region, Billis and Glennerster (1998) would most likely describe these citizens as “community disadvantaged”. Billis and Glennerster’s (1998) analysis suggests that stakeholder ambiguity is important in tipping the competitive advantage in favour of voluntary agencies in such disadvantaged communities.

4.2 Organisation and its regional impact

Small regional firms struggle disproportionately with knowledge transfer (Ranga *et al.*, 2008). A catalyst for social improvement in this region and formally incorporated as a not-for-profit entity, the organisation creates clusters of companies, knowledge institutions and groupings of stakeholders with similar visions. This facilitates collaboration, increases interaction between parties and fosters shared understandings through concentrating dispersed knowledge (Boschma, 2005; Villani *et al.*, 2017). It aims to “build the capability” of the sectors that it serves (IB2) and to improve regional sustainability, its economy and environment.

The NPO’s CEO and co-founder have volunteered in this role since its establishment. At the time of the study, there were three full-time staff, a nine-member board of directors and an advisory committee including prominent executives of local companies and international company branches, business industry bodies, government and the media. Membership of the NPO was free for around 500 members whose details were maintained in a proprietary database and an important regional source of industry information and contacts.

Services offered by the NPO include site visits, member events, workshops and cluster meetings, networking opportunities and links and free advice. Activities are designed to share best practices amongst diverse stakeholders and include bringing key external individuals and delegations to the region. Internal records show there were 26 such events in 2019, with 550 attendees. Located in an education precinct, the NPO fosters creation, promotion and participation in research, work experience placements and education at tertiary and school levels (Edu4).

Despite the low socio-economic profile of the region and decreasing trends nationwide in the manufacturing sector, “while [the NPO] has been active, [the region] has actually defied the odds and their manufacturing sector has performed well” (Edu1). IB2 agrees, “ironically, 21% of our [companies] export globally”. Regional focus is one of the organisation’s strengths (IB1) and this NPO is strong because it has “a long-established membership that they know the players; they know the people; they understand their businesses” (Govt3).

4.3 Perception that the entity is “undervalued”, “underfunded” and “unrecognised”

The NPO is highly valued in a network that is “well led” (Govt4) by the CEO. Stakeholders are “really reliant on that organisation” (Govt 3), as their “first point of contacts for industry information” (Govt3), particularly when initiating a new program. Yet this has not translated into widespread financial support or a growing asset and resource base within the NPO. The NPO is described as “surviving on a bit of a shoestring” (Ind4), as well as “understated” and “almost goes unnoticed” (Ind4). Historically regional government bodies have seemed to rely

on their own resources rather than using existing “local services” like the NPO (Govt1, Govt3) or favoured autonomous ownership of service provision for political reasons (Feiock and Jang, 2009; Sidel, 1991). This financial vulnerability is a recognised concern for NPOs and increases their need for upward accountability (Goncharenko, 2019).

The NPO’s low-value image may also be due to its volunteer staffing, self-funding model and lack of “return” (Govt3). As a result, “none of us have been able to resource it and fund it” (Govt3). The NPO’s suggestions for large-scale activities are “too big to visualise . . . to be able to justify such a big amount” (Govt1). Govt1 shares that “other small cluster type organisations around the country . . . get bigger chunks of money . . . but they’re only working on one little initiative. . . . [this NPO is] trying to do everything on no money. . . . It’s kept the money small”. Govt2 points to the irony that failure of the NPO would highlight its “relevance”.

4.4 How SIE will bridge the value perception gap

Formalised accounting for SI was perceived by the organisation’s leadership as a bridge across the value divide between internal stakeholders’ perceptions and those of potential funders. This voluntary accountability is a reaction by the NPO’s management to perceived information needs formed through dialogue and negotiation within its accountability stakeholder relationships system (Pilon and Brouard, 2023). The interview data reveal the competing voices informing the development of this accountability system. Some of the NPO’s internal stakeholders believed that undertaking SIE could “demonstrate . . . a level of connection that’s . . . bringing back value to the region” (IB3). How to measure impact and use it to deliver accountability to stakeholders was less clear. Some stakeholders, like IB3, believed that the best way to demonstrate this value to prospective funders was a quantitative valuation of SI, by ascertaining “whether it’s 10% of the companies or 50% of the companies . . . All you’ve got to say is this is the value you’ve got . . . You multiply it – we’ve got 500 coming, you multiply it by 50, well, there’s half a million dollars . . . what it means for employment and that sort of stuff”. This description of the SIE process positions donors as investors (Dhanani and Connolly, 2015; Goncharenko, 2019) and the principal stakeholders for the SIE exercise. It attributes value to easily measured outputs rather than capturing the SI derived from them (Hall *et al.*, 2015). Further, it describes the epistemic beliefs of the internal stakeholders of the NPO (Hall *et al.*, 2015). Notably, the NPO sought accountability via SIE in its own self-interest as well as proactively anticipating the needs of funders (Dhanani and Connolly, 2015).

In response, the interview *data* reveal the voices of stakeholders whose accountability information needs were not prioritised by the SIE exercise. Some are sceptical of this narrow understanding of SIE and challenged by a change from past procedures. There is evidence of negotiation amongst NPO stakeholders regarding the desired outcomes from this evaluation exercise. Despite key stakeholders’ wishes for quantification of value, other stakeholders wanted to focus on mission attainment and limit the potential for mission drift that might result from SIE. They particularly cautioned against a focus on lucrative or easy-to-measure proxies. Govt1 captured this aptly: “So, what sort of things are you going to quantify? So, number of events, number of attendees? . . . I don’t want to lose the message in trying to do the numbers”.

Edu1 expressed concern with the “spin” or advertising aspect of SIE: “so it’s not about just telling – just measuring it. It’s about how you sell that back to market” and also commented “it’s about . . . the stakeholders and what their role is and then how much they should be paid in this – to be given the privilege of being in [this NPO] . . . Yes, we’ve got to be truthful, and we’ve got to be ethical. So, it’s really hard [to] balance”.

In the context of this internal scepticism, the SIE research team sought to identify “the activities that are proposed to cause the outcomes” (Goh *et al.*, 2016; Rawhouser *et al.*, 2019, p. 95) within the SI report. Focus on outcomes includes consideration of causal factors and includes views from multiple stakeholders as beneficiaries of, and actors in, the social intervention by the NPO [7]. Subsequent analysis of the interview data identifies three themes that provide evidence of successful communication of accountability information with

5. Accountability and SIE in the case NPO

There are three distinct themes identifiable from the interview data. The first theme records stakeholder perceptions of the value-adding activities attached to connectivity and its outcomes for the community. The NPO acts as a conduit – business to business, from business to government, and between educators and industry. This interaction identifies it as an “industry network” with strategic interdependence, allowing for competitive advantage, improved reputation and innovation (Crilly and Sloan, 2012, p. 1183). These positive perceptions demonstrate ways in which the NPO is achieving its mission, providing evidence of how the NPO is performing in the attainment of internal accountability values (Pilon and Brouard, 2023). From an accountability perspective, evaluating the NPO’s connectivity in the SIE delivers information on *for what* and *to whom* the NPO is accountable. These close connections enable storytelling and communication of success stories, both of which are recognised ways of *how* organisations communicate accountability informally (Pilon and Brouard, 2023, Yang and Northcott, 2019).

Second is a theme associated with the CEO’s key role. Pivotal to the NPO’s human capital, the CEO’s SI is an indication of the accountability values of the NPO like “transparency, responsibility, integrity, openness, responsiveness, and answerability” (Pilon and Brouard, 2023, p. 432). Furthermore, trust is “built and maintained by demonstrating accountability” and centres on the person of the CEO in this NPO (Pilon and Brouard, 2023, p. 433). The value added by the CEO communicated to stakeholders in the SI report is therefore a form of accountability information – that is, the key role of the CEO is the *how* of accountability. Detracting from this value, SIE needs to account for the NPO’s vulnerability to the potential loss of this key individual who offers their services on a volunteer basis.

The third theme describes the difficulties of extracting discrete accountability measures in an organisation where boundaries are blurred by collaboration with other providers. The interviewees attest to the stakeholder ambiguity evident in the NPO. While stakeholders’ general perceptions of the NPO’s SI are positive (*for whom*), scant record-keeping hinders its measurement and direct attribution. Stakeholders claim NPO outcomes as their own contributions, making the *for what* accountability question difficult to answer. As part of the NPO’s information system strategy, the SIE process needs to decide *how* to meet the new information needs of external stakeholders and make sense of this stakeholder ambiguity.

5.1 Connectivity: value through networks

Regional networks are organisational and cognitive vehicles that facilitate knowledge spill overs critical for innovation (Boschma, 2005; Etzkowitz and Klofsten, 2005; Suriñach and Moreno, 2011). Knowledge spill overs take the form of support organisations and viable and dynamic clusters (Tödtling and Trippl, 2005) that improve absorptive capacity within a region (Suriñach and Moreno, 2011). From an SIE perspective, therefore, the NPO’s ability to function as such a conduit holds value (Etzkowitz and Klofstein, 2005; Saurabh, 2019). The challenge for SIE is how and whether this “higher output” (Govt4) attributable to stakeholder relationships can be measured and used to deliver accountability information.

The NPO’s connectivity activities have created well-developed and serviced stakeholder relationships. The NPO has facilitated “. . . almost . . . an optimum number for having an effective networking culture” (Govt4). Smaller NPOs are more likely than larger organisations to be “embedded locally”, providing them with legitimacy and building trust with and sensitivity to the needs of long-term stakeholders (Dayson *et al.*, p. 813). Govt4 and Edu1 confirm that trust, understanding, collaboration and sharing are outputs of the NPO’s network culture. Synergies produced over time illustrate responsiveness since the NPO is described as

understanding the “mood and what the requirements and . . . the needs are” (Govt4). The NPO’s facilitation of a network enables network actors to develop their expertise and instinct and enhance their ability to identify and analyse trends (Govt3).

By maintaining and using its centralised database of contacts, the NPO enables communication, collaboration and sharing which improves social outcomes in the region. Edu1 describes the NPO as “. . . building the collaborative links, getting the players to start working better, getting them more confident and building trust”. Value-add arises from the NPO’s centralised coordination, stimulation and mobilisation of their contacts (IB1). IB3 says, “it’s a two-way street . . . [the NPO] can refer companies to them . . . and they refer companies back to [the NPO]”. This goodwill provides legitimacy of contact (Govt3) for industry bodies, the university sector and the government.

For example, Govt3 discusses the NPO satisfying a need for fast access to businesses to “show that industry was supporting [their] strategy”. Govt2 adds that, without this organisation, it would take a lot more time “. . . trying to get things done”. This is the NPO’s “mantra . . . objectives and . . . mission . . . is not something that government do”. Govt1 describes the relative value-added by the NPO network to their events: “. . . my colleagues in . . . other areas . . . don’t have the longevity, the continuity . . . They’d have to broadcast it out and email to [find people to present and lead it].”

Partner choice and diversity of composition within the network are critical for innovative success, particularly when the knowledge shared relates to technologies (Nieto and Santamaria, 2007). The CEO carefully manages additions to the loosely coupled network (Boschma, 2005). Adding to the NPO is almost “familial” (Dayson *et al.*, 2023, p. 812), as the CEO “. . . actually gets to know people first before introducing them to the organisation or where [they] think businesses could learn from each other” (Ind4). As a result, Ind4 notes that businesses in the network are “not the same size but of the same nature and encounter the same challenges”. However, success and longevity of membership are not guaranteed. Ind7, previously active in the network, has resisted being locked into it because they believe the network is limited by the differing positions in the business cycle of members. Further, Ind7 has developed the view that business owners need to rely on themselves for answers, which is possibly an indication of the maturity of their own business.

Further evidence of social outcomes provided by the NPO can be found in the three categories of measures of SIE relating to networks: events; additional work, employment and outsourcing; and timesaving.

5.1.1 Events. Within its triple-helix (Etzkowitz and Leydesdorff, 1995), the NPO facilitates industry–education sector–government interactions and hosts events like the “Try a Skill Day” for vocational education students. Inviting school students to events, the NPO is “right in the middle” of “[the] growth opportunity for the region” (Edu3). Gathering the sentiments and concerns of members, the NPO creates a platform for sharing and testing viability of new concepts and ideas with governments, research bodies and other stakeholders (IB2, Govt3). By taking “companies out into the field” the NPO has had a “big impact” on the region’s sustainability (Edu1):

[The NPO] has done . . . probably better than most in Australia in sustainability . . . [the companies] implemented some very efficient energy processes and those companies were showcasing to other companies how you could do that – save yourselves money to become more efficient, but also to sustain your business. . . . there have been various programs like that . . . they have a big impact.

The NPO’s events provide “networking and learning” (Ind3, Govt4, Ind4). Ind4 notes, “It’s targeted, and I know it must take a lot to organise these things and I know there must be a lot of challenges in terms of, (A), getting the right dates; (B), getting the right numbers”. This “person-centred” approach is common in smaller NPOs (Dayson *et al.*, 2023, p. 812). Govt2 adds, “It’s a unique skill . . . knowing who’s who and other people’s strengths and bringing all that together”. Ind2 highlights that they would not be able to replicate this connection easily.

For example, Ind2, who “grab[s] one or two things from every company [they’ve] visited”, describes these events as:

... a massive part of our continuous improvement journey. We just wouldn’t have learnt what we have if we didn’t have these visits to the other manufacturing facilities ... it definitely gives you a different perspective on what you do. So, any site that I go and visit, I learn something. ... And it can be bigger in terms of a program they’re rolling out ... We’ve got a machine shop. I thought ... we were doing a great job. So, we went up to [a local manufacturing company] and we took our Machine Supervisor – We’ve got so much work to do.

The stakeholders interviewed recognise that the NPO has added value via events but could not quantify this impact when prompted by the research team. The NPO had scant records other than the number of people reached in email campaigns and the number of attendees at events. The NPO could improve its detailed records of improved access for industry bodies and government, fostering new partnerships between businesses, facilitating sharing and R&D and education opportunities it provides for students. The NPO could collect this data using interviews and post-event surveys. Proxies could include costs of developing and maintaining similar databases, wages for similar service deliveries and the value of outcomes of R&D activities.

5.1.2 Additional work, employment and outsourcing. Other than the mail-out rate and a recent successful grant application, there were no physical records of ways the NPO had utilised its networks to improve knowledge and linkages in the region. Again, interviewees reveal their understanding of the NPO’s attainment of mission goals through facilitating and training its beneficiaries to build industry networks with one another. Ind2 noted, “I’m not a big networker myself ... I’ll go to an event now and ... you’ve got those connections and they’re starting to get traction. We did [some work] for [a local producer] a few weeks ago”. The NPO also had records of its involvement in the education sector, for example, the facilitation of work-integrated learning for school and university students and the facilitation of research between industry and universities. Interviewees discussed the NPO’s activities in translating research into practical solutions. Ind5 describes the NPO as “really good at connecting ... Industry has a problem – research is over here ... small business doesn’t have the time to do that”. Further, the NPO has assisted Ind3 to source employees. A possible value proxy for these activities would be to assess commercial “finder’s fees” for these services.

Interviewees highlighted the services the NPO provides to different government bodies free of charge. Government bodies access the NPO’s network to

test ideas; to work directly with that industry base; to have those connections when we need them as well. So, for us to have to do that in house we would have to put on more staff to do that. We don’t have the budget to do it so be able to work through a network, and organisations such as one that [this NPO] coordinates, that allows us to be a lot more efficient in that process as well. (Govt3)

To attribute a quantum of value to SIE, IB3 suggested using the wages of local government employees as proxies, giving an example of the local city council, who have “... a consultant ... looking at how they should be doing economic development in the region ... they’ve got a job advertised for a very senior regional innovation person” (IB3). Govt3 identifies other government users of the NPO’s industry feedback provision, including the state government

when the state government or the federal government roll out the new programs [the NPO is] the first point of contact ... then they will put on a federal government employee or they will appoint a third party to run the program ... for some reason they don’t fund [this] organisation or local services directly.

Govt3’s entity does “try to support [the NPO] ... that’s why we dedicate the office space, and we provide secretarial support”. In return, according to Govt2, the CEO “runs our [regional] network ... It’s the cross referrals meeting ... does the notes, facilities, chairs that type of thing” for no charge. This referrals meeting is also described by Govt4. Attendees “... talk

about what's happening in each area, any government feedback that we can get from the state or the federal [governments]. Any programs upcoming . . . and then we talk about specific clients or customers that we're working with or around in the region". Another example is the "government assistance seminar" run by the NPO that brings together businesses and government grant providers (Govt2).

So why does this outsourced work not translate into funding for the NPO? Governments are known to have close relationships with NPOs and may even compete with them for service delivery. In areas where financial, personal and societal disadvantages exist, government agencies have a comparative advantage over NPOs (Billis and Glennerster, 1998). Govt3 calls it a "double whammy . . . Sometimes these programs are funded [by governments] for two years and then they walk away from the region, and they are looking for support back from [local organisations] to continue that service that was being provided". Despite the value of such a large database, it is under-utilised because of resource shortages (IB3). The interviews reveal ways in which government employees are embedded in the NPO's governance and even in the provision of its office location, typical of stakeholder ambiguity.

While these qualitative findings clearly identify the SI of this NPO on behalf of the government and industry partners, quantitative measures are more difficult to achieve. To proxy SI, the NPO should capture the number of referrals, placements, insights given, students accessing programs and connections. As discussed earlier, in the initial brief, IB3 suggested using the wages of local government employees as value proxies. Another value proxy for these activities would be to assess commercial "finder's fees". The NPO could collect data about the number of referrals they make and the outcomes of these. They could also capture academic, government representative and researcher time saved by identifying time taken on similar projects, placements and relationship building without their assistance. Surveys and self-reporting by members would assist with capturing this data.

5.1.3 Time saving. Since the NPO has connections as its "sole activity", its ready access to information saves time and provides faster access to stakeholders (Govt3, Govt2). As a source of information about "future strategies" for companies "and who are they working with (Govt3)", it is a widely valued timesaver that is not frequently on offer: "Instead of 30 people knocking on the same CEO's door, one person can do that (Govt3)". Its "big value" (Govt1) database of around 500 people creates "multiple connectivity and embeddedness that wouldn't have been there otherwise". (Edu1). Database entries populate "referrals meetings" (Govt1), where network members "share what we're each doing with companies" and initiate introductions. "[F]unding gets flagged through that [database] as well". (Ind3). Database members respond well to email—a response rate of "somewhere between 35% and 45%" (IB3).

Stakeholders save time because the NPO synthesises key details for its members. Edu3 says, ". . . you can just pick up the phone and it gets answered by [the CEO] . . .". The information received from the NPO is "not . . . political in nature, but it also does consolidate it down to what's relevant to [the region]" (Ind3) Govt2 identifies time saving arising from proximity in the NPO, explaining, "I know [a company] but I may be thinking, "Well actually, I don't really know what their future strategies are and who are they working with". It's easy enough to go to [the CEO] to get that information". This skill is widely valued and not available elsewhere.

One of the areas where the synthesis of information is critical is the identification of funding opportunities. Ind3 comments, "[The NPO]'s been very useful in identifying [government grants available] . . . I was able to navigate that quickly . . . you can sit isolated in industry and not realise that it's available at all".

These interviewees confirm that this small NPO "play[s] a key role advocating for individuals based on an in-depth understanding of personal circumstances" (Dayson *et al.*, 2023, p. 816). This advocacy role needs to be communicated to confirm the accountability purposes of trust and legitimacy (Pilon and Brouard, 2023). To attribute a quantitative value to the SI created by time saving, the NPO should collect data about the costs of generating similar insights on companies and industries. Surveys and self-reporting by members would assist in collecting these data.

5.2 Personal value of the CEO and the board

The growth of small firms relies on sharing of knowledge with outsiders. Trust and control facilitate this knowledge transfer, often in the form of a trusted person who uses personal contacts and geographical proximity to share tacit knowledge that assists with innovation (Massaro *et al.*, 2019; Tödting and Tripl, 2005). Trust is an “accountability purpose”, that is, because trust is an objective or outcome of accountability to stakeholders, its existence demonstrates successful communication of accountability (Pilon and Brouard, 2023, p. 432). Similar to those identified by Agyemang *et al.* (2017, p. 998), stakeholders in this NPO value trust as an important measure of upward anticipatory or positioning accountability to funders: “Building trust is an important precursor to gaining influence and . . . important to attain before offering suggestions for change”. In this section, I examine how interviewees describe the NPO’s trust as value-adding and their suggestions for measurement.

The CEO is “building capacity” and “constructing advantage” (Govt1) for the industries in the region. This person is “meticulous about doing the right thing and not having people selling stuff and not taking advantage of anybody” (Govt1). Govt2 shares, “we trust . . . that [the CEO] will not talk about . . . government or commercial in confidence [matters]”. Trust in the CEO translates into outcomes for stakeholders, with Edu3 describing the CEO as “an integral part of the region – it all goes back to [the CEO]”.

Many of the companies in the region are “really young” and “small”, with “no experience” (Ind2). These companies “rely on these industry experts” (Ind2). Stakeholders reach out to the CEO for extensive related industry experience (Govt2): “here’s an engineering problem, do you know anybody, or have you seen this similar anywhere else?” (Ind3). A recurring description of the CEO is at the centre of an expertise wheel (Edu3, Ind3, Govt2).

Having analysis and data come from a single, “consistent” (Govt3), trusted source makes it more valuable. For example, Govt3 shares a situation in which they were assessing the viability of a new development opportunity:

We could have . . . tested that ourselves . . . with someone like KPMG and spent \$75,000 . . . to do a survey on the local market here and the national trends, but it was a lot easier to go to [the NPO] . . . a lot more valuable than getting a third party that didn’t really understand the [region]. They didn’t have the connections; they had to start from scratch. We could get that information really quickly . . . reliable information . . . that we could test quite readily by contacting some of our members and saying, If we had done this, how would this have impacted your business?

IB3 acknowledges the NPO’s role as a catalyst in the region, without whom initiatives and events “wouldn’t happen”. The CEO’s role is to “drive” volunteers and the NPO’s board of directors also play a pivotal role, “making sure [the NPO is] sustained . . . there for the long term” (Edu1). Paradoxically, IB3 admits that “most people don’t know what we do”. According to Edu1:

[The CEO] is not a marketer or a salesperson. [They are] the product manager and [they know] how to work a process . . . That’s why they trust [them]. . . . [they’re] capable of telling the truth and attracting people because of [their] honesty and hard work. [They need] somebody who can explore the communications and the selling so that they can complement [their] great skill set . . . if [they don’t] sell the benefits the whole system doesn’t kick in at the next level.

Interviewees highlight the importance of an individual, the CEO but also that dependence on the CEO is precarious, as suggested by Dayson *et al.* (2023). This is both an advantage and a challenge in this NPO and makes the CEO’s contribution difficult to measure for SIE or in terms of the NPO’s accountability. While the SI from the CEO’s contribution is captured by qualitative data, it is difficult to quantify. However, it is not clear if stakeholders are advocating for the use of selective positive measures as they make sense of this fragility. In specific instances, such as the development opportunity described by Govt3, the NPO’s contribution (and by extension, the CEO’s) could be assessed at the \$75,000 another entity would charge for the same information. However, Govt3 suggests that if “you take [the CEO] out of the

organisation it does not exist tomorrow, even in three months' time". How can the loss of future flows of benefits in this scenario be quantified? Access to such actuarial data lies outside the skillset of the members of the NPO's management, directorate and advisors and resources.

5.3 Blurred boundaries and stakeholder ambiguity

NPOs do not operate in isolation. Close interaction between entities seeking to innovate and share knowledge may cause inter- and intra-firm boundaries to blur (Cantwell, 2013), particularly when actors in firms and intermediary organisations are the same. Blurred boundaries create problems for measurement and attribution of SI to discrete elements of the ecosystem and therefore hinder this value from being used as a measure. Communication of the NPO's accountability becomes compromised by this overlapping stakeholder ambiguity (Billis and Glennerster, 1998; Saidel, 1991). On the other hand, this ambiguity may deliver a competitive advantage that SIE should measure (Billis and Glennerster, 1998; Crilly and Sloan, 2012).

The NPO had a long history of being integrally involved with other organisations before its genesis as an independent NPO. Govt1 made explicit reference to the measurement difficulty associated with "blurred [boundaries] ... the value is still there ... but there are going to be events and groups and activities that ... probably [aren't the NPO's] activities". Critically, Govt1 adds "But [the CEO's] contributed to a lot ... They wouldn't have happened without [them]". Further, the NPO's "apolitical" stance with no vested interests makes attribution of its role in the initiation and evolution of clusters that enhance and create markets "hard to quantify" (Ind6). Co-contributions from others, "a melting pot" (Edu3) of work in the region, includes "a sharing element" (Govt2) where participants provide as well as use "referrals and connections ... [we] build on each other's knowledge and as we do that, we grow as well" (Govt2).

Ind5 points to the NPO's role as a catalyst, utilising its close ties to achieve its mission.

We might meet a new company that's just started to export, or I might get some intel from a food manufacturer that [the CEO] may not know about. So, we would share that information and that brings together a database of information that we can build on and the relationships with the people in those businesses too.

Dayson *et al.* (2023) suggest this community embeddedness and interrelationship is a possible prerequisite for stakeholder ambiguity, which Billis and Glennerster (1998) argue is a competitive advantage for NPOs. But SIE, and by extension, the usefulness of SI reports as a measure of accountability, becomes less effective with multiple layers:

You can't measure everything. ... So, you've got layers. ... You've got real activity that you can measure in the core [of a cluster] that you could say, 'These are direct things that we have run. We know that they have got direct benefits that have come out of it'. Then you've got your second layer – these are things that [the NPO] has run ... you can actually go and measure it, ... and then you've got these outer layers that we don't know whether that was a derivative of how these people met. ... [The NPO has] done a lot more than anybody could possibly measure because you can't just see all the things that have happened – all the dynamism that's occurred because of it. (Edu1)

If the NPO had a fee for membership [8], the quantitative valuation of SI might be simplified. A fee would separate those who are committed to the NPO, attributing value-added and simplifying boundaries. But the imposition of a fee where one did not exist before could reduce SI by reducing connection to an economic choice (Govt1) and altering the "shared environment" (Ind5).

6. Discussion

This study investigates SIE as an accountability information strategy in an NPO, using interview data collected from a range of stakeholders. It seeks to understand the accountability discharged to stakeholders (*to whom*) about the social outcomes achieved from funding (*for what*), and *how* this introduction of a new accountability measure is undertaken. It finds that

consistent with [Saxton et al. \(2012, p. 1067\)](#), the voluntary disclosure of SI information was undertaken for “strategic” reasons, to meet “strategic goals”, including being able to access funds ([Dayson et al., 2023](#)). These are discussed in terms of three themes relating to an overarching accountability purpose. Firstly, the NPO wanted to communicate its performance achievements to a new set of stakeholders based on outcomes from their existing activities. Secondly, the NPO sought to build trust and maintain or gain legitimacy ([Pilon and Brouard, 2023](#)), which in this instance highlighted both the value and precarity of the CEO role. Third, the study identified stakeholder ambiguity in the NPO, in which blurred boundaries between stakeholders raise questions about who is accountable, consistent with that described by [Billis and Glennerster \(1998\)](#). Few studies confirm the existence of stakeholder ambiguity directly ([Dayson et al., 2023](#)); this study does so, while also confirming [Dayson et al.’s \(2023, p. 817\)](#) “wider framing”, highlighting that small organisations are distinctive. Specifically, the data provide evidence of an organisation that is person-centred, embedded locally, responsive to stakeholder needs and an advocate for stakeholders. The NPO has a high level of stakeholder trust developed over time but is disadvantaged by relying on one key person. The article extends the accountability literature by demonstrating how these distinctive characteristics carry value and contribute to the NPO’s SI, as identified in the SIE. It also demonstrates how SIE delivers accountability within its stakeholder network.

The *to whom* and *for what* questions are answered by the stakeholders interviewed, who were able to articulate the accountability purposes of trust, legitimacy and the organisation’s SI performance. The interview data provide evidence of identity accountability values in the NPO that are recognised by its stakeholders ([Pilon and Brouard, 2023](#), [Unerman and O’Dwyer, 2006](#)). The data show that these stakeholders had a clear understanding of the NPO’s attainment of mission, that is, the NPO had previously successfully communicated its accountability against mission downwards across its network without SI reporting. This is most likely attributable to the closely networked stakeholder relationships in this small NPO, requiring only grassroots accountability based on trust. Many of the stakeholders interviewed were dependent on the organisation to fulfil their needs (for data, networking and information sharing). This is a narrow set of relationships to manage for accountability purposes ([Unerman and O’Dwyer, 2006](#)). At the same time, this close network of stakeholders underpins the NPO’s SI and is therefore independently valuable. Similarly, the NPO’s ability to interpret, understand and deliver stakeholder needs, arising from its embeddedness in its community, long history of serving stakeholders and the key person of the CEO are also evident catalysts for its SI. Stakeholder interactions described in this article provide evidence of how managers and stakeholders interpret and mould accountability information, that is, *how* this NPO creates and understands a new accountability system. The interview data confirm tension amongst internal and downward stakeholders as to how to craft the SI report – notably whether SI should be measured quantitatively or qualitatively. In this case, this tension arises because of a change in “mission critical” stakeholders, resulting in a reprioritisation of accountability information needs ([Hall et al., 2015](#)). Previously, accountability was delivered via informal SI communication and relied on the NPO’s entrenched stakeholder ambiguity and knowledge. Now, the introduction of potential external funders adds upward accountability and a new power dynamic to the stakeholder mix ([Ebrahim, 2016](#); [O’Dwyer and Unerman, 2008](#)), and the SIE is its internal stakeholders’ response to this changing relationship ([Hall et al., 2015](#)). The NPO is forced by its financial precarity to increase the importance and urgency of accountability using the SIE exercise for the organisation and for stakeholders. Its wider stakeholder network responds by contesting measurement proposals that they perceive are contrary to mission attainment. The data shows differences in power, legitimacy and urgency amongst the stakeholders of the NPO ([Ebrahim, 2016](#); [Kaur and Lodhia, 2018](#)). These shift in importance and in relationship to each other as the NPO faces its financial precarity during SIE. Whereas previously inclusion in the network was closely guarded by the founder and CEO, now a new set of external stakeholders’ demands and needs become prominent. The interview data reveal how the existing stakeholders make sense of the shift from identity

accountability limited to the internal actors of the NPO to a broader relationship accountability model (Unerman and O'Dwyer, 2006).

Contemporaneously, the data reveal evidence of the importance of the enterprise logic, that is, "how top managers conceptualize their firm and its relationship with society" in directing attention to specific groups of stakeholders and emphasising the importance of addressing their needs (Crilly and Sloan, 2012, p. 1179). The article shares the stakeholders' voices as they decide "who and what really counts" (Hall *et al.*, 2015) (*for whom* and *for what*), as well as determining *how* to communicate with stakeholders (what measures to use, if any, and what to emphasise in their narrative).

The interview data describe complex stakeholder relationships, accountability values and purposes, and information strategies evident in this NPO, consistent with the framework suggested by Pilon and Brouard (2023). It extends the literature by suggesting that stakeholder relationships and trust are not merely something to be managed but have value in the SIE. However, their sustainability relies largely on the personal characteristics of the CEO. This vulnerability renders the NPO as "somewhat fragile" (Dayson *et al.*, 2023, p. 817). The SI value is further subject to blurred boundaries that make it difficult to extract neatly. Placing a quantifiable value on the SI in such an uncertain environment could be perceived as "spin" and is vulnerable to agency concerns. Stakeholders in this case setting replicate the tension identified in Dayson *et al.* (2023), between the need to use their resources effectively and responsibly in a potentially risky setting.

The latitude in presentation methods echoes the concerns of subjectivity in SI reporting in the literature, as discussed earlier (Arvidson and Lyon, 2014; Costa and Pesci, 2016; O'Dwyer and Unerman, 2008). Attributing this value requires interpretation and judgement that would be difficult to standardise. When prompted, our interviewees were unable to identify quantitative proxies that would substitute for the intangible benefits they received. The NPO's record-keeping did not allow for the calculation of impact ratios even if discoverable proxies had existed. If SIE evaluators were able to quantify intangible outcomes, the NPO could use SI values to demonstrate its ability to be accountable to future (prospective) donors, an argument that could be used to justify the relatively burdensome expense of SIE in smaller NPOs because it has the potential to enable upwards accountability. The article contributes with practical suggestions of performance metrics with which the NPO could commence measurement of this value in future SIE iterations.

Applying the competitive advantage conclusions of Billis and Glennerster (1998) to the data, in this case, provides interesting insights into the interplay of stakeholders in small NPOs, particularly the government in this instance. For example, in this case, the government is unable (or unwilling?) to provide the needed support in this region and the NPO has stepped into this void. However, the government acknowledges the benefits of the NPO's services by providing it with office facilities. Government individuals are embedded within the structure of the organisation itself, both in the directorship and advisory committee of the NPO. Billis and Glennerster (1998) suggest that this complexity and ambiguity is precisely what makes such an organisation an effective supplier of services.

This article contributes practically in three ways. First, it cautions funding providers about the usefulness of SI reporting in similar entities. Increasingly, NPOs are asked to produce SIE to access grants. However, users of SI reports may not be sufficiently aware of the cost–benefit trade-off from producing these reports. Second, practitioners of SI measurement can better understand the tensions associated with the extraction of impact in a mission-focused entity that aims to add to the social good in a way that is sustainable. Thirdly, the study suggests measures and proxies that are suitable for this entity and may be extended in other contexts.

7. Conclusions, further research and limitations

In this case study, the nature of the SI report (qualitative rather than quantitative) was influenced by the low budget and tight timeframe for this SIE exercise. The NPO sought to

prove its financial viability using the SI report, reinforcing the viewpoint of some stakeholders that the desired SIE outcome was to disclose financial value. Examples of these intangibles for the NPO and identified in the study are connections achieved from networks and events, provision of information that might enhance stakeholders' businesses and entities and the personal characteristics of the CEO. However, these proxies do not capture impact from the outcomes, and, even if available in the NPO, would not have been able to deliver a quantification of impact. To report meaningfully on its SI, the organisation needed to create meaningful measures of impact and commit resources to capturing them.

Hall and O'Dwyer (2017, p. 2) highlight that, in organisations focused on delivering services to beneficiaries, particularly those staffed largely by volunteers, accounting can be seen as a distraction, a "waste of time and money" or overemphasis on the organisation as a business. Yet, increasing international interest in standardisation efforts for charities and NPOs makes understanding the potential unexpected outcomes of this form of reporting essential (Adams *et al.*, 2021). For example, in New Zealand in 2015, the Public Benefit Entity Simple Format standard was implemented for small charities. It includes a requirement to report on the impact on society (Xu and Yang, 2023). The rollout of the standard started in the smallest charities, not the largest. It is therefore possible that any requirements such as these may reach NPOs like the one described in this article. Assurance of these reports will further drive resources and effort into the quantification of SI. Donors already have the power to request information at will. This article demonstrates that many stakeholders of small NPOs do not need these reports for accountability information, however, the dynamics of implementation of SI reporting in small NPOs has the potential to change their accountability priorities.

The literature suggests that NPOs could engage in "conversations for accountability" with stakeholders to overcome misalignment in accountability aims (Agyemang *et al.*, 2017; Yang and Northcott, 2018). In this example, because the NPO was still looking for funders, the ability to co-construct accountability relationships did not exist (Yang and Northcott, 2018). Yet the organisation was prioritising and trying to predict what funders might say or want to hear in the conversation. Standardising, implementing and assuring SI reporting more broadly will result in other small NPOs having to account to unknown (potential) stakeholders in a similar way. It may further amplify (potential) donors' voices and silence the voices of other mission-focused stakeholders.

The ability of SI reports to correctly reflect SI is important for all stakeholders, not just upwards. The stakeholder voices in this study reveal that SI reporting is viewed as an affirmation of moral capital, that is, the judgement of whether the NPO is successful in serving its mission. Yet, because it relies on a volunteer workforce motivated by mission attainment, implementation of this accountability information system based on SIE measures rather than informal stakeholder communications and trust may threaten the NPO's existence. In addition, the study confirms the danger that focusing on outcomes without capturing their associated impacts could skew SI reporting towards "vague outcomes with insignificant, irrelevant and insufficient outputs" (Xu and Yang, 2023, p. 204). If scarce resources are to be used for SI reporting, then it must be designed to deliver accountability information to all stakeholders.

This study is subject to some limitations, which offer potential for future research. It relies on one case study and the usefulness of entity-specific proxy recommendations. Nevertheless, this case organisation is representative of small NPOs, particularly those seeking to account to external stakeholders using SI reporting, and its insights and conclusions are naturalistically generalisable in analogous circumstances and are derived from credible analysis (Parker and Northcott, 2016). This approach could be easily employed in other similar SIE studies. Another limitation is the potential for bias that arises because the study commenced at the request of the NPO and interviewees were positively aligned with the objective of the SI report and the NPO. The perspective of accountability is a different focus from the SI report, which reflected only the NPO's achievements. Further, because the interviewees were limited to existing stakeholders of the NPO, it was not possible to examine the views or SI reporting needs of potential new stakeholders (that is, the potential finance providers). While

independent coding and interpretation of data conducted for this article confirmed the validity of the themes previously identified by the initial researcher using a grounded theory approach and bias is further limited by preparing this article without input from the NPO management, the author acknowledges that these interpretations could be influenced by the experience of completing the SI report prior to re-evaluation of the data for this article. The inclusion of supporting quotations within the article should assist readers to verify their validity, in the absence of a second coder and reduce the potential of subjectivity in interpretation. Finally, the analysis would have been richer had the article been able to identify the stakeholders in more detail, but this was not possible due to ethics constraints related to interviewee anonymity.

Future avenues for research include examining other contexts, for example, rather than researching in an economically depressed region, researchers could examine whether NPOs in more prosperous areas have different expectations from SIE and more resources. These researchers may be able to identify different stakeholder interrelationships that impact the ability of SIE to deliver accountability, including those of funders. Longitudinal studies in small NPOs would allow for action research suggesting reformed measures and assessing their application later (Rawhouser *et al.*, 2019).

Notes

1. The NPO in the case study is registered with the Australian Charities and Not-for-profits Commission (ACNC). ACNC classifications of size are used, i.e. defined by revenue. At the time of the study, the organisation had revenue of less than \$250,000 (AUD), classifying it as a 'small' entity.
2. The interviews and production of the SI report described in this article were completed by a team of two researchers. Only one of these researchers is responsible for this article.
3. The project costs, i.e., transcription, editing and publishing of the SI report, were covered equally by a small grant from the NPO and a matched University grant. The researchers received no other payment from the NPO for this project.
4. Where interviewees could be classified in multiple ways, they have been placed in the category relating to their dominant employment. To preserve anonymity, employees of the NPO were included in the "IB" category.
5. The research team also prepared a "Social Impact Report" highlighting the contributions of this entity in its region. The NPO applied for external funding and its revenues attributed to government grants and industry income increased by more than 700% between 30 June 2021 and 30 June 2022, according to publicly available financial statements. The SI report is available on request.
6. id.com.
7. The approach should include data from internal records. However, the NPO's internal records were incomplete and historical data (where available) were not suitably organised or detailed. Interviews and deduction by the research team were used instead to identify the outcomes of the NPO that could be quantified using proxies. The suggested proxies can be found in the SI report and are available from the author on request.
8. At the time of the study the NPO did not charge a fee for membership. A fee has subsequently been introduced.

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