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ACCOUNTABILITY AS A MANAGERIAL TOOL IN NON PROFIT ORGANISATIONS: EVIDENCE FROM ITALIAN CSVs

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ABSTRACT

NPO long term performances are based on their capability to link and maximise social value as defined in their mission, the legitimacy obtained by stakeholders influenced by and influencing their activities and the operational capacity i.e. their economic efficiency. Thus, NPOs have to utilise multiple level accountability systems which should be feasible with their multiple objectives and stakeholders' claims.

The accountability system of an NPO should be focused on its operational capacity because in order to maximise its efficiency an NPO has to measure its resource use, cost structure and financial structure. Legitimacy obtained from stakeholders is also integral. If an organisation is considered a social contract between several stakeholders, it has to consider the social economic effects of its activities and it has the duty to account for them. However, social value creation plays the most important role. Since the mission of an NPO is to create and distribute social value to a certain specific group, an NPO should measure the social value it has created.

The aim of the paper is to analyse the accountability system of a specific type of Italian NPO - , Centri di Servizio per il Volontariato (CSVs) namely Centres which provides Services for Volunteer associations - in order to verify if the system satisfies their need for multiple level information (operational, legitimacy, and social value) and accomplishes their stakeholder claims, and to determine its impact on the definition and implementation of their strategy and on their long term performances. The research was carried out using the action research model (Lewin, 1946) and the findings are based on the analysis of a sample of 61 CSVs throughout Italy.

KEY WORDS

Accountability; CSVs (Centres which provides Services for Volunteer associations); efficiency and effectiveness; NPOs; value creation.

INTRODUCTION

Non-profit organisations (NPOs) have emerged as important actors both for promoting social values and more social and civil integration and for creating a kind of international civil society influencing the practices and policies of National and International Governments.

Increased importance and influence of NPOs has heightened demands for more transparency and accountability both internally and externally, in order to allow all the stakeholders to assess the impact of the activities developed by NPOs.

Since the aim of NPOs is to create social value, they are mission oriented, multistakeholders in nature and receive their financial support by donors and not by clients, NPOs strategy definition and accountability systems are more complex than the for profit organisations ones.

While in a for profit company value creation, economic performances and long run survival are mutually and self-reinforcing, in an NPO this link does not exist because financial sustainability does not guarantee the achievement of the organisational mission and vice-versa.

Like other NPOs, Italian ones are also facing a rapidly changing environment (Borzaga, Fazzi, 2002) and have to redirect their strategic priorities and accounting systems according to the new needs and requests of their stakeholders.

In this paper we will thus analyse a specific type of non-profit organisation, i.e. Centres for Services for Voluntary organisations (CSVs), studying how their accountability system affect mission achievement and in which ways it could be used as a managerial tool. In more detail, the paper will first summarise the features that distinguish a non-profit organisation and a for-profit one from a managerial point of view. Then we will describe the way in which these features affect effectiveness and efficiency measurement in NPOs, and finally we will explain what should be the characteristics of an accountability system of a NPO that will obtain legitimisation by its stakeholders.

Finally we will adapt this theoretical framework to CSVs, and utilising the results of the research, we will suggest the limits of the work and possible future research to go beyond these limits.

1. NPO CHARACTERISTICS FROM A MANAGERIAL POINT OF VIEW

To date, numerous contributions in the literature on non-profit organisations (NPOs) have focused on defining them and the reasons for their existence from an economic point of view (Hansmann, 1980; Ben-Ner, Van Hoomissen, 1991; Weisbrod, 1975; Rose-Ackerman, 1987; Borzaga and Mittone, 1997).

On the other hand, the internal functioning of NPOs has received less attention so far and these organisations are still treated as a black box (Ortmann 1996) even if over the last decade the increasing request for efficiency, effectiveness and competition from markets has urged NPOs to heighten their economic and social performances (Sawhill and Williamson, 2001). Therefore, increasingly literature has been written with the aim of helping NPO managers to better manage their organisations (Drucker, 1990; Hermann, Renz, 1999) but as Forbes (1998) notes, these studies are characterised by different theoretical perspectives and objectives which make their integration quite difficult.

In order to define the managerial peculiarities of NPOs, we thus start from the features which distinguish them from for-profit and public organisations because they impact on the management of NPOs, on their strategy definition and on the accounting system they should adopt.

Following Paton and Cornforth (1992) and Leat (1993) we could summarise the main NPO features as follows: i) profit making versus non-profit making, ii) resource acquisition; iii) multi stakeholderhood; and iv) indicators of success.

1.1. Profit making versus non-profit making

The most common characteristic which distinguishes a for-profit organisation from a non-profit one is that the first operates on the profit motive, while the second does not because the aim of an NPO is to produce social value for a specific target group, and not to maximise financial value to shareholders.

The non-profit constrain of an NPO implies that its financial goals are subordinate to social ones and they are not directly linked, therefore an NPO can ensure its future survival and long term success only if it is able to produce social value in the way in which it is defined in its mission.

1.2. Resource acquisition

According to some authors (Moore, 2000) the main difference between the private and the non-profit sector is based on the way in which the organisation acquires its financial resources. A for-profit company usually get its funding from trading relationships, where customers pay a price in order to buy products or services. Thus, in the private sector resource acquisition is generated by a two-way transaction and there is two-way flow of resources. On the other hand, in the Non profit sector the nature of transactions is one-way oriented because the financial survival of these organisations is mainly based on donations which are guaranteed by private or government funders who agree with the mission and the value of the voluntary non-profit firms.

1.3. Multi-stakeholderhood

NPOs typically operate in complex and dynamic environments (Balsler and Mc Clusky, 2005) and they have to meet the needs of multiple stakeholders because their final goal consists in producing social value, which is a vague and broad concept and it impacts differently on different stakeholders, who therefore should be able to impact on its definition and evaluation. Thus, the governance of an NPO is multi-stakeholder in nature (Fazzi, 2007), and it implies that in this kind of organisation who should be regarded as the principal is unclear (Ostrower and Stone, 2006).

1.4. Indicators of success

One of the main features of NPOs, is the lack of any clear indicator of success, which is linked with the social goal of these kind of organisations and the multi-stakeholderhood of their governance. The main reason for this difficulty to identify indicators of success is the ambiguity of the 'bottom line' of these organisations, whether we adopt the no bottom line approach suggested by Drucker (1990) or the multiple bottom line one proposed by Anheier (2000). Since in a NPO there is no price mechanism to aggregate and classify the needs of all the stakeholders affected by and affecting the organisation's activities, its mission is the only metric that could be used in judging past performances and assessing future actions (Bryce, 1992).

2. IMPACT OF NPO CHARACTERISTICS ON THEIR STRATEGY AND ACCOUNTING SYSTEM DEFINITION

The described management characteristics of an NPO make it complex to define strategies and to identify indicators of success to measure their achievement (Kanter and Summers, 1987; Bowen, 1994; Sawhill and Williamson, 2001)

Since it is not easy to define clear strategies and indicators of success, it is also difficult to identify accounting and accountability systems, that can be able to report both internally and externally on the multiple objectives and to the multiple stakeholders of NPOs. Therefore, in order to identify suitable accountability systems for NPOs, we need to clarify which is the definition of accounting we are adopting and to precisely define to whom NPOs have to be accountable.

2.1. Definition of accountability

Numerous definition of accountability have been proposed by scholars and researchers. For example, according to Cornwall et. al (2000) accountability has both an external dimension and an internal one because it is about being held responsible by others and about taking responsibility by oneself.

Following Gray, Owen and Adams (1996) accountability could be defined as "*the duty to provide an account (by no means necessarily financial) or reckoning those action for which one is held responsible*", as a consequence accountability involves a promise to perform and a moral or legal responsibility to provide an account for it.

Both these definitions suggest that accountability involves two different but linked responsibilities: i) the duty to undertake certain action and ii) the duty to provide an account for those action.

Therefore, before discussing about the accounting instruments that should be adopted by a NPO, we should discuss to whom a NPO has to be accountable and to whom it has responsibilities.

2.2. NPOs accountability to donors

Since NPOs are mission oriented and multistakeholders organisations, Moore (2000) suggests that NPOs are theoretically accountable to many stakeholders and generally it is not clear who should be morally and/or legally considered as the principal, whose preference ought to be given the greatest weight. Anyway adopting both principal-agent theory (Alchian and Demsetz, 1972) and resource dependence one (Pfeffer and Salancik, 1974), NPOs could be considered to be primarily accountable to donors for their efficiency and economic sustainability.

From a principal-agent point of view the more powerful the stakeholder, the stronger its claim to be the principal: since in the short-term financial support of donors and founders is a key element for NPOs survival, donors look most like the owners of these organisations and thus the NPOs tend to be considered as primarily accountable to them.

As well as principal agent theory, also the resource dependence one seems to suggest that NPOs should be mostly accountable to donors. In fact, between donors and NPOs there is a resource interdependence because NPOs rely on donors for money and donors rely on NPOs for their reputation, therefore accountability mechanism could be used by founders to keep information on NPOs spending and also by NPOs to leverage funds by publicizing their activities (Ebrahim, 2003).

As a consequence, using the definition proposed by Najam (1996) the NPOs-donors accountability could be defined as accountability mostly focused on "*the spending of designed money for designed purposes*". Anyway in order to be accountable to donors the control and reporting system of an NPO should be mainly focused on economic efficiency but also on legitimization, because donors demand also the NPOs to be accountable for the integrity, efficiency and impacts of programs that they have funded.

Donors are not the only stakeholders of NPOs and their alignment with the organisational objectives does not guarantee by itself the achievement of organisation's goals, and the satisfaction of others stakeholders and consequently their support. In fact, long run survival of an NPO is based on its capability to maximize the social value created such as it is defined in the organisational mission and as it is perceived by the multiple stakeholders influencing and influenced by the NPO.

From these considerations follow three linked aspects:

- While in for profit companies the economic bottom line and the organisational mission align, in NPOs there are at least two different bottom lines, the first one regarding the economic dimension of the activity, the second one related to the social dimension.
- A for profit organisation which is able to maximise its economic performance, is also reinforcing its mission achievement; on the contrary in NPOs there is no automatic relationship between increments of achievement in the organisation's mission and financial performances.
- An NPO which is accountable only for its economic and financial performance risks to incur in what Kramer (1981) calls "goal deflection" or "the displacement of the ends by the means", because, as Frumkin and Clark (2000) suggest, "*efficiency must be a means toward the end of greater mission fulfilment*".

2.3. Accountability models

A consequence of the three aspects previously analysed is that, "*nonprofits should respond to the public sector's desire for documented outcomes by finding innovative ways to measure the full-range of outcomes that flow from nonprofit social service activity*" (Frumkin and Clark, 2002). Since NPOs face the competing demands of multiple stakeholders, they should develop different and more complex accountability systems and many scholars have proposed a number of accounting models.

For instance Najam (1996) has suggested that NPOs should be accountable to multiple actors, identifying three categories of accountability concerns: i) accountability to patrons, ii) accountability to clients, iii) accountability to themselves.

Distinguishing between these three kinds of accountability Najam highlights the multiple dimensions and levels of NPOs accountability, so that NPOs accountability "*is complicated by the difficulties they face in prioritizing and reconciling these multiple accountabilities*".

While Najam focuses his attention on the stakeholder to whom a NPOs should be accountable, both Avina (1993) and Brown & Moore (2001) stress the different kind of constraints a NPO faces and, the different kinds of accountability that follows from this.

According to Avina (1993) NPOs accounting concerns functional accountability and strategic accountability, where the first is related to resource use and resource impacts and the second is focused on the impacts that the organisational activity has on society and on other organisations.

Starting from the particular strategic relationship between social value, financial performance and organisational survival existing in NPOs proposed by Moore (2000), Brown and Moore (2001) suggest a new approach to accountability in NPOs. According to the Moore's strategic model, in order to be successful a strategy in the non profit sector should link social value creation, sustainable support by donors and founders and organisational survival. Value creation refers to the social value to be produced by NPOs in terms of mission achievement, sustainable support could be achieved by NPOs if donors and founders judge them economically and morally valuable; finally organisational survival focuses the attention on the existence of sufficient know-how and capability inside the organisation.

The strategic model proposed by Moore is challenging because it implies the NPOs to develop strategies that should be able to meet all these constraints simultaneously. While in a for profit company value creation, economic performances and long run survival are mutually and self-reinforcing, in an NPO this link does not exist because *"if a NPOs has value and support but not capability, it will not deliver on its promises. If an NPO has value and capability but not support, it will fail for want of resources or legitimacy. If an NPO has support and capacity but produces little of value, it will survive, but only at the price of wasted resources"* (Brown, Moore, 2001)

Starting from this strategic model, Brown and Moore proposed a multiple level accountability model, which aims at linking and balancing at the same time all the cited dimensions, because every different dimension asks for different kinds of accountability.

NPOs should be accountable for value creation because they exist in order to create social value, and to accomplish some public purpose, but they should also be accountable to financial sustainability in order to achieve support and legitimacy from those subjects who are able to mobilise the political, financial and legal support needed to achieve the social value goals. Finally an NPO has to be accountable to operational capacity, thus focusing the attention on the NPO ability to deliver programme results.

The challenge of adopting the strategic and accountability model proposed by Moore and Brown is that it forces NPOs to identify their stakeholders and the multiple role they have in their relationship with the organisations, thus forcing the NPOs to recognise and face strategic and accountability dilemmas, like for example, maximising value created to donors or to clients if they conflict and to whom to be most accountable.

2.4. Introducing CSR in the model

What is missing from much of the debate previously described is the role of Corporate Social Responsibility (CSR) and ethics (Bowen, 1953; Carrol, 1979 and 1999; Clarkson, 1994; Philipps, Freeman, Wicks 2003). In accordance with Bouckaert and Vandenhove (1998) in brief social responsibility could be defined as the *"liability of an organisation for the consequence of its actions"*, and in for-profit companies it usually causes the so-called stakeholders' paradox (Goodpaster, 1991), according to which the company manager has to balance its fiduciary responsibility toward its shareholders and its socio-consequential responsibility towards the other stakeholders.

At first sight it would seem that in NPOs this tension between fiduciary and socio-consequential responsibility should not exist because a non-profit institution has a social and self-less purpose as its primary mission. But CSR in organisations does not depend upon their institutional mission (Rusconi, Signori, 2007) and the social goal defined by the NPO mission "*is of a very specific nature [...] because it is linked to a particular perspective and [...] it is oriented towards a specific target group*" (Bouckaert and Vandenhove (1998). Following its social goal an NPO indirectly also realises other social goals linked with the socio-consequential aspect of its activity, so that it could achieve more and better employment, income creation, development of new technologies or it could negatively impact on society in terms of lower or worst employment condition, negative environmental impact, negative income creation and so on.

As a consequence, just as a for-profit company, a NPO has to manage and dialogue with its stakeholder in order to align their requests and purposes with the organisational one and thus fulfil the social contract the NPO has with all its stakeholders (Sacconi, 2005).

Following this approach, NPOs should be accountable not only for the financial sustainability and for the social impact of their activities as it is defined in their mission, but they should also produce social accounting as "*a systematic analysis of the effects of an organization on its communities of interest or stakeholders.*" (Quarter et al, 2003). In this sense all the stakeholders become co-principals of the organisation and they are not just strategic objectives or instruments for the achievement of the institutional mission.

2.5. The hierarchy of accountability in NPOs

In the previous paragraphs we examined a number of accounting models which try to answer the multiple and competing accountability demands caused by their multi-stakeholdership and mission-oriented nature.

All these models recognise that NPOs' accountability should link and balance the competing demands of multiple stakeholder, but they also suggest that the financial dimension is usually the most accountable one because this is the easiest to be monitored and because of the donors' (patrons using Najam's definition) highest power (Najam, 1996). However, for NPOs to be accountable for the economic and financial dimension of their activity is fundamental but not enough to be completely accountable to the donors and the other stakeholders involved in the organisation's activities.

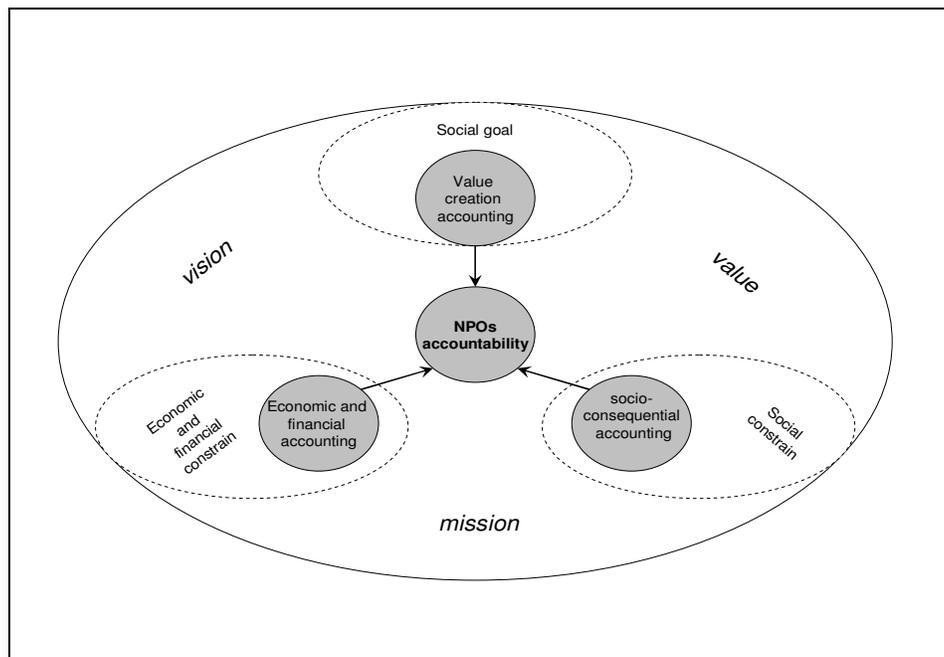
Moreover, introducing CSR into the discussion increases its complexity and ambiguity because it introduces a new variable into the problem, and increases the issues and the stakeholders to whom a NPO should be held responsible.

In fact, all the characteristics of an NPO described in the previous paragraph, which distinguish it from a for-profit, imply that NPOs long term performances and strategies are based on their ability to link and maximise social value, as defined in their mission, the legitimacy obtained by all the stakeholders influenced by and influencing their activities (Freeman and Reed, 1983; Freeman, 1984) and the operational capacity, i.e. their economic efficiency (Moore, 2000; Hinna 2005).

The weaknesses of the proposed models are related to their worthlessness in solving accountability dilemmas and in prioritizing strategies and stakeholders' demands. In order to overcome these weaknesses and to partially solve this complexity it is possible to restart from the managerial peculiarities of NPOs and from the definition of accounting and accountability. If the

ultimate institutional goal of an NPO is to maximise social value creation as defined by its mission and if accountability is the duty to provide an account for those action for which somebody is held responsible, then for NPOs social value creation is both constrain and a goal and NPOs should primarily be accountable to their stakeholders for the social value they are creating with their activities (Andreaus, 2007). Moreover, in order to achieve their social goals, NPOs have to also fulfil social and economic constrains, but their fulfilment is fundamental but insufficient to achieve the organisational goal, therefore they have to be accountable also on social and economic constrains, but these type of accountability are means to a different end.

Figure 1 - The strategic and accounting hierarchy in NPOs



Following this approach an NPO has three responsibilities –financial, social and mission - and it should be accountable to its stakeholder for all of them but it has to prioritise them considering that:

- **Financial sustainability is a means to an end:** being financially responsible and accountable is a constraint to be respected, but it remains an instrument to better achieve the organisational institutional mission of the social value maximisation as defined in the mission. For this reason the emphasis of the accounting system should not only be on tangible and financial variables but primarily on the social value created and NPOs should give leading importance to the demands from mission stakeholders rather than demands from stakeholders focusing on economic sustainability.
- **Social responsibility and accounting is also a means to an end** because being socially responsible to all the stakeholders is a moral constraint to be respected in obtaining legitimisation and collaboration by all the stakeholders involved in the organisation's activities. In an NPO the stakeholders' support and legitimacy come not only from the fulfilment of the socio-consequential path but also from their agreement on the specific social mission the NPO wants to achieve.

- **Social value creation and accounting is the primary goal of a NPO organisation** because an NPO is effective and thus legitimised to survive in the long run only if it is able to maximise the social value associated with the achievement of the organisational mission and goals.

3. VALUE CREATION ACCOUNTING AND STAKEHOLDERS ENGAGEMENT

As explained in the previous paragraph, NPOs have three bottom lines, two of them – economic sustainability and socio-consequential responsibility - defining the necessary but insufficient conditions the organisation has to respect for long term survival and the other – social value creation - being both a constraint and an objective.

In order to use accountability as a managerial tool, accountability should be not only about being held responsibility but also about taking responsibility for these three aspects, but it has to focus its attention primarily on mission achievement. In fact, since NPOs are primarily held responsible for the social value they produce to society as defined in their missions the managerial role of their accountability is mainly related to their capability to take social performance assessment seriously in order to justify and legitimize activities with substantiated indicators rather than with anecdote or rhetoric.

The mission-oriented nature of NPOs and their multi-stakeholdership are the two features most influencing and complicating the definition and the development of a coherent strategy and accountability related to social value creation.

Regarding the first point – the mission oriented nature of NPOs -in a for-profit organisations the definition of the objectives and their measurement is facilitated by the fact that the profit links the results earned and the effort to achieve them, allowing the evaluation of the overall performance of the organisation and the comparison between different strategies (Santi, 2002). On the contrary, mission-oriented organisations, like NPOs, have more difficulties defining and assessing clear objectives and their effectiveness because these are more than the mere outcomes of the programmes the NPO operates or the services it provides (Sowa et al, 2004). As a consequence, it is complex for NPOs to evaluate mission achievement because there are few external standards or market forces that can create measurable goals (Bowen, 1994). This has moved NPOs from long term objectives to short term ones, and from activities difficult to be estimated to easier ones (Anheier, 2005). In terms of strategy definition the negative effect of this is twofold because: i) only activities with a long term focus can significantly impact on mission achievement; and ii) there is a risk that performance measures attract efforts to areas that are more easily assessed but which need less resources or which do not have a high impact on society.

Since mission achievement and effectiveness of NPOs are not easy to estimate and assess, it follows that NPO effectiveness is always a matter of comparison, and that NPO effectiveness is a social construction, which depends on the evaluation given by the stakeholders who have an impact on and are impacted by the mission of the organisation.

Since different stakeholders have different expectations and there is no unique performance measurement influencing effectiveness evaluation (Zammuto, 1984), there are a number of performance dimensions assessed by a portfolio of evaluators, which is as big as the portfolio of the stakeholders.

In order to maximise its social value creation, an NPO firstly has to define its mission according to stakeholders' expectations, then it has to carry it out considering how it is defined by stakeholders, and finally it has to measure its performances and to account for them related to how their stakeholders evaluate performance achievement. For these reasons managers of NPOs have to use strategic stakeholder relationship, and not only adaptive or reactive approaches, in order to negotiate outcomes which reflect win-win situations for different stakeholders (Ospinna et al, 2002). In an NPO, strategic management of stakeholders entails not only responding to their calls, but also guiding stakeholders' expectations and evaluation parameters (Kearns, 1996).

Guiding its stakeholders' expectations, an NPO should aim to align stakeholder needs, values and the NPO mission with the organisational one.

To summarise, NPOs face the competing demands of multiple stakeholders (Ebrahim, 2003), therefore:

- effectiveness depend on the ability of the NPO to satisfy the moral value which moves the stakeholders involved in the achievement of the NPO mission
- effectiveness is related to a portfolio of variables, which are linked to the expectation of the organisation's stakeholders (Balser and McClursky, 2005)
- since NPO effectiveness is not precisely measurable, it is a social construction and it depends on stakeholders' perception, and in particular, on the most influential stakeholders (Herman and Renz, 2008).
- stakeholder management enables managers to ensure that the strategic and operational direction of an NPO addresses stakeholder perception (Fletcher et al, 2003)
- strategic management of stakeholders implies not only addressing stakeholders' expectation but also guiding them toward a common and shared interpretation of the organisational mission and toward their alignment with NPO values, capabilities and objectives (Balser and McClusky, 2005).

Utilising this theoretical framework, in the following sections of the paper we will discuss weaknesses and strengthens of the accounting system of a particular type of NPO - the Centres for Services for Voluntary organisations (CSVs) - and we will suggest that the main weaknesses are related to a wrong definition of the strategic and accounting hierarchy and, consequently, to a stakeholder engagement process mainly focused on financial stakeholders rather than the mission with the effect of reducing CSVs' mission achievement, social value creation and legitimisation.

4. OBJECT AND METHOD OF ANALYSIS

4.1. Object of analysis: Centres for Services for Voluntary organisations (CSVs)

Centres for Services for Voluntary associations (CSVs) are voluntary organisations recognised by law – Voluntary Work Law 266/91. This law obliges Banking Foundations to destine part of their profits to set up CSVs, which in turn provide services for the voluntary sector organisations in order to sustain and enhance their activity (Article 15, comma1).

The decree passed on 8 October 1997 gave the task of distributing the funding destined by the Foundations for CSVs to Managerial Committees (called Co.Ge).

CSVs were first set up in 1996 and by 2006 there were 77 homogeneously placed throughout Italy. They represent a significant number of Italian voluntary associations – 19.5% of all

voluntary work in Italy (ISTAT, 2005). At the end of 2006, CSVs employed 858 people – 160 as voluntary operators (18.6%) and 698 as paid employees (81.4%).

Since 2003, national networking of the various CSVs is guaranteed by the National CSV Coordination Association (called CSV.net), which is an independent body that links and informs the CSVs on activities carried and interfaces institutionally for them with diverse interlocutors.

In the ten years since their foundation, CSVs have become well established NPOs with regard to their internal organisational structure, which comprises financiers, auditors, managers and workers, as well as their interaction with the local and national external agents.

This internal and external organisational complexity implies that CSVs have relationships with a large number of stakeholders as summarised below:

- Funding Stakeholders: organisations which provide funding for the CSV activity in the form of donations, notably Banking Foundations as required by law.
- Auditors/Controlling Bodies: external bodies which inspect/regulate the activity.
- Networking Bodies: local and national organisations, and CSV.net with whom the CSVs can actively engage to protect the interests of the voluntary associations the CSVs represent.
- Human Resources: the paid employees and collaborators, and the voluntary workers in the CSVs.
- Partners: these are the other NPOs and local bodies who are not directly involved in the CSV activity.
- Mission Partners: voluntary associations but not members of the CSVs and non-profit organisations the CSVs work closely with in order to maximise the social value of the product.

4.2. Method of analysis

The analysis of CSVs is the direct result of a collaborative project between the ISSAN research institute¹ and the CSVs in order to map out the characteristics regarding their governance and accountability, and as such, propose programming strategies. This collaboration occurred through the realisation/need, on the part of the CSVs, to find managerial and organisational solutions to increase the social value of their product.

The ISSAN-CSV collaboration can be classified as action-research (Lewin, 1948).

Utilising the action- research model, the collaboration developed as follows:

- First stage: analysis of demographic, organisational and managerial features of CSVs
- Second stage: quantitative analysis, using questionnaires to study CSV strategy and managerial problems

¹ ISSAN - Istituto Studi Sviluppo Aziende Nonprofit (Institute for studies and the development of nonprofit organisations) is a members-based associative university research and training centre supported by the University of Trento. The institute carries out multidisciplinary theoretical and applied research, provides training, disseminates acquired knowledge through the promotion of seminars and conferences and is also involved in publishing.

- First Feed-back: the first interpretation of the limitations of the CSV managerial system, followed by proposals for action discussed with the CSV personnel
- Third Stage: setting up meetings and focus groups with ISSAN researchers and CSV personnel to investigate the qualitative aspects of the research – as outlined in the model
- Second Feed-back: writing the final report - data extracted from this report is presented in this paper².

5. MISSION, ACCOUNTING AND STAKEHOLDER ENGAGEMENT IN CSVS

5.1. The limitations of CSV accounting systems

CSVs must sustain and enhance voluntary work by providing support, training, counselling and developing a solidarity culture (Decree 8 October, 1996). As with every mission, there is space for interpretation: on the one hand, it could be restrictive by limiting intervention to a simple provision of professional counselling; on the other, it could be more complex if considered under the auspices of the strategic development of the Italian Third Sector

Although their mission should be interpreted proactively, the CSVs are finding it difficult to provide answers to the new needs of voluntary associations and the result is that only a few CSVs understand their role and limitations, and often there is no correlation between the institutional mission of CSVs and the work carried out (Cenpro, 2003).

These problems are not caused by not understanding the needs of the voluntary organisations and the changes taking place in the voluntary sector, but on the difficulty found in implementing strategy and plans in keeping with the relative interpretation

In particular one of the main reasons CSVs find it difficult to interpret their mission proactively is linked to the role the accounting system plays within these organisations.

Based on the model outlined in paragraph 0, the accounting system should verify both the economic-financial and socio-consequential commitment toward the stakeholders involved in the organisation activity and toward the stakeholder influenced by the activity. Besides these constraints, the accounting system should account for the ability to attain the creation of social value, because this is both a constrain and the goal of NPOs.

The economic and financial accounting system of CSVs

Of the 64 CSVs in the analysis sample, 60 depend almost entirely for economic support from the banking foundations because they are the only bodies who can be relied upon to provide monetary funds, while the other possible financers (donors, public bodies, clients, CSV members and other) only marginally contribute to the economic aspect of the CSVs.

² The final report "Organisational and Accounting Models" is available on www.csvnet.it

Table 1 - Financial contributors of CSV

Contributors/Financers	0%	0%-34%	35%-69%	70%-99%	99%-100%
Banking Foundations	5%	0%	2%	64%	30%
Donors	92%	5%	0%	0%	3%
Public bodies	58%	42%	0%	0%	0%
Clients	95%	5%	0%	0%	0%
CVS members	64%	36%	0%	0%	0%
Other	66%	33%	2%	0%	0%

Source: elaboration of CSV-ISSAN data

Given that by law foundations must finance CSVs, their participation in the objectives laid down in the CSVs' mission is limited and is thus subordinate to the attention they pay to maintaining the economic-financial equilibrium in NPOs.

For these reasons, which fall within a resource dependency approach, the CSVs place great importance on verifying the conditions underlying their economic-financial management as their legitimisation by financers depends upon it. As a consequence most CSVs apply various economic-financial tools of analysis before, during and after the realisation of projects. In terms of those used when setting up a project 94% of CSVs define their economic and financial resources for project development and a high number allocate an economic budget (89% of CSVs) as well as a financial one (88%). Finally 83% of CSVs carry out a complete economic-financial feasibility study before launching their projects and activities.

Table 2 - Economic-financial variables considered before launching projects

Variables considered	Percentage in sample (64)
Definition – economic resources	94%
Economic budget	89%
Financial budget	88%
Economic feasibility	83%

Source: elaboration of CSV-ISSAN data

Focusing on economic-financial variables for a project does not stop at the programming stage but continues in overall monitoring as they progress – shown by the fact that 91% of CSVs carry out this analysis and 94% monitor the feasibility of each single operative phase.

Table 3 - Economic-financial variables considered during and at the end of projects

Variables evaluated	Percentage in sample (64)
Redefinition of resources	70%
Monitoring - operative phase	94%
Monitoring - economic-financial	91%

Source: elaboration of CSV-ISSAN data

The data demonstrates the elevated attention to economic-financial variables by CSVs and how the accounting system is thus developed in a suitable manner to provide internally and externally the information required to verify the financial equilibrium constraint.

These findings confirm what Najam (1996) highlighted in that the economic-financial accounting system is the system most often used by NPOs because it is the simplest to understand, to develop and to manage.

The CSR and social value creation accounting system of a CSV3

While the economic and financial control system of a CSVs is developed completely, the accounting systems encounter problems when trying to find precise quantifiable indicators for the social value creation related to the organisation's mission as well as the socio-consequential constraint.

In particular, the social accounting system in CSVs is underdeveloped quantitatively as well as qualitatively and therefore it is inadequate to account on the capacity of CSVs to satisfy their socio-consequential constraint.

In quantitative terms, from the outset of the research only 55% of CSVs under investigation draw up a Social Report, even if this has developed considerably in the last three years (8 in 2003, 15 in 2004 and 35 in 2005). This data indicates the low level of formality given to social accounting within CSVs, especially if it is compared with the amount and complexity of information gathered by the economic and financial accounting system.

The first indirect indicator of the qualitative limits of the social accounting system in a CSV as an instrument providing internal and external information is the number of social reports produced by consultants and not by the workers in the CSVs. Of the 35 CSVs which published a social report in 2005 only 12 drew it up entirely internally, the same number did likewise using internal resources as well as consultants while 11 exclusively or predominately used external consultants. The fact that only 12 CSVs out of 64 drew up social report using internal personnel suggest that the accounting system is not an integral part of the control management system of CSVs and is thus more a communication instrument than a transparent accounting tool.

³ The analysis system for CSR accounting in CSVs is limited because of the fact that at the closure date for the empirical part of the research project – of which this paper is taken – the guidelines for a Social Report of CSVs was underway.

Moreover data from questionnaires and focus groups has never highlighted the importance of monitoring the socio-consequential path between CSVs and stakeholders. Therefore this variable seems to be not only little analysed by the internal accounting systems but also of little importance to CSV managers.

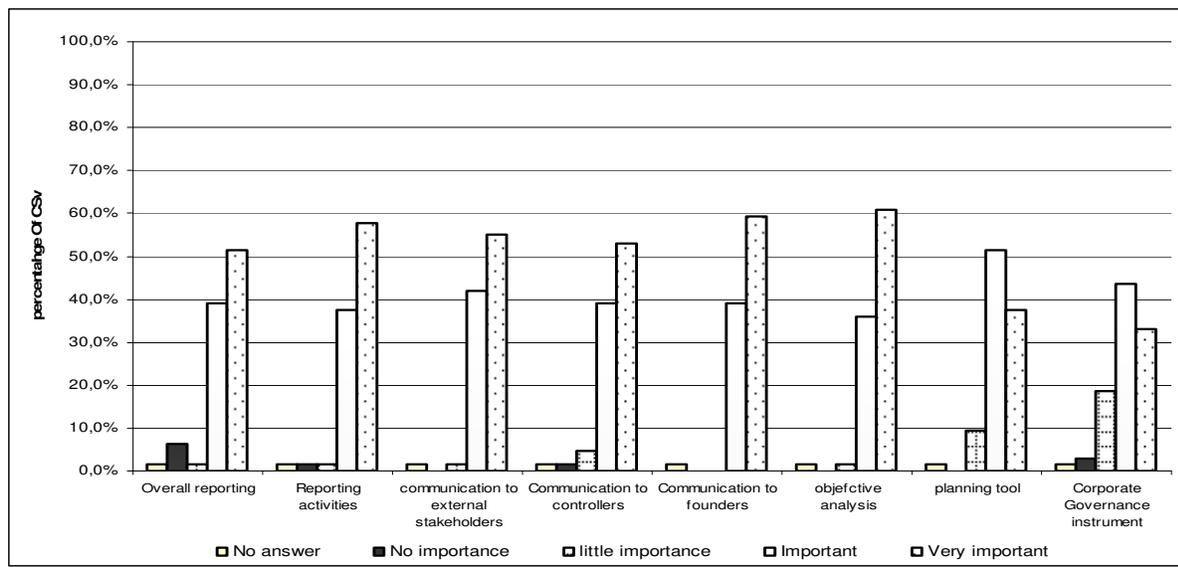
One reason for this scarce attention by CSV manager to the socio-consequential constraint could be linked to the presumption, widespread within NPOs (Bouckaert and Vandenhove, 1998; Andraeus, 2007), that pursuing a social outcome is enough to be considered socially responsible even if this consequentiality is unnecessary (Bouckaert and Vandenhove, 1998; Rusconi, and Signori, 2007).

This assumption seems to be confirmed by analysing the motives attached to why CSVs consider useful to publish a social report, that are mainly linked to:

- analysis of the objectives of the mission
- communication toward the financers

The first reason indicates an interpretation of the social statement as an accounting tool for the social value produced rather than the socio-consequential path, while the second highlights the need pointed out in the literature (Najam 1996; Moore, 2000) to become legitimate for the financers not only regarding the financial balance but also the coherent in the activities for which the funds were obtained.

Figure 2 - Use of a Social Statement by CSVs



Moreover, regardless of the importance given to various objectives found in the social report, from

Figure 2 it is clear that all the CSVs state the need to account to the internal and external stakeholders regarding the attainment or not of their institutional objectives. However, the definition of these objectives, of parameters and means of analysis of an intangible like social value is complicated and as a result CSVs find it difficult to find non rhetorical or descriptive

indicators which are able to account rigorously, punctually and comparably regarding their mission attainment.

For example, even if 94% of CSVs outline their objectives before embarking on a project and 94% assign the various objectives to a person responsible only a smaller percentage (72%) consider a redefinition of the objectives or monitor the attainment of partial results. In addition only 70% redefine their resources based on the results obtained and 56% monitor satisfaction of the end-users and possibly then modify the objectives.

Table 4 - Controller social value creation variables

Controlled Variables	Percentage in sample (64)
Revision – outline of objectives	72%
Determination - partial result	72%
Redefinition of resources	70%
Redefinition of end-users	56%

Source: elaboration of CSV-ISSAN data

This data highlights the problem CSVs have in using an accounting system linked to social value creation as an effective managerial tool which could be able to maximise the efficiency of the organisation.

5.2. The limitations of the CSVs' accountability systems and their impact on the activities carried out

Generally when no clear definition of objectives and the variables to evaluate exists, and when the accounting system is more orientated to controlling monetary rather than social variable NPOs tend to prefer short term projects because these need less investment in managerial and economic terms and in monetary terms they are more controllable. As a consequence the imbalance in the CSV accounting systems in favour of the economic-financial dimension has negative consequences in terms of strategic and managerial choices:

- Project Time span Reduction: CSVs' difficulty in defining clear strategies forces them to propose short term projects. For example, in 2006, 70% of the 603 projects developed by CSVs lasted less than one year, and only 6% for more than two years and thus able to satisfy the strategic requirements actually needed by the non-profit sector.
- Limited impact of the projects: the services offered by the CSVs tend to be somewhat traditional – administrative, advice on statutes, financial aspects etc. – and as such they are services which tend to impact less and less on the quality of the voluntary work (Borzaga, 2007)⁴. Table 5 highlights how the two types of services which produce most social value, and thus the underpinnings of the voluntary sector, are also those which play the least part in CSV activity (i.e. support and promotion of voluntary activities, planning consulting). On the other hand, consulting and logistics services are the most delivered by CSVs even if they are of the least social value and unable to satisfy CSV user needs.

⁴ Speech by Carlo Borzaga, *The development of CSVs*, "Lets Talk About It" Conference, Rome 13/11/2007.

Table 5 - Services provided by CSVs from 2003 to 2006

Years Services	2006		2005		2004		2003
	Nu. of services	Δ%	Nu. of services.	Δ %	Nu. of services	Δ%	Nu. of services.
Logistical services	70.080	8%	64.717	60%	40.338	3%	39.321
Communication	20.181	38%	14.577	-19%	17.888	77%	10.095
Administrative consulting	136.738	38%	99.113	3%	95.977	78%	53.857
Training	55.143	33%	41.350	-24%	54.335	87%	29.076
Support and promotion of voluntary activities	4.478	33%	3.366	5%	3.194	67%	1.907
Planning consulting	1.887	-30%	2.705	67%	1.624	22%	1.329

Source: elaborated from CSV.net, 2006.

5.3. The stakeholder management approach to define the strategic priority in CSVs

Given that this imbalance in CSV accounting systems determines strategic and managerial problems, it needs to be adjusted giving more importance to an accounting system linked to the attainment of the CSV social mission which is not only a constraint but the final objective for the long term survival of each NPO.

In order to define mission objective and to evaluate the attainment of the aforementioned in NPOs, stakeholders engagement is of primary importance both in the strategic planning stage and in the accounting stage because mission achievement depends critically on the stakeholder's perception of it (Herman and Renz, 1999; Balsler and McClusky, 2005). For these reasons stakeholder engagement can help CSVs to overcome the current strategic and accounting problems.

Table 6 shows on a scale from 1 (minimum) to 4 (maximum) the level of influence CSV activity has on its stakeholders and highlights a variance and limited standard deviation for all the six categories of stakeholders investigated.

Analysis of the data demonstrates that the agents most greatly influenced by CSVs activity are the mission stakeholders – NPOs, members and non-members, communities and the voluntary sector. The average level of influence/impact on this CSV category is 3.34: this data corresponds with the characteristics of the CSV because the users, or direct beneficiaries, are the voluntary organisations and presumable the entire voluntary sector.

Then human resources, the partners and the networking bodies are all influenced by approximate 3 of "sufficient impact".

The two stakeholder categories which are least impacted are the controlling bodies - an average of 2.4- and finally the funding stakeholders or rather the Banking Foundations with 1 – no impact. This stresses the lack of impact CSV activity has on the Foundations which implies that they provide finance for the centres because they are under obligation by law to do so and not because they share the CSV mission.

Table 6 - Analysis – impact of CSV mission on stakeholders

	Financers	Control bodies	Networking bodies	Human resources	Partner	Mission partner
Mean	1.923	2.447	2.893	3.037	2.686	3.346
Median	1.750	2.500	2.875	3.125	2.875	3.500
Mode	1.000	2.750	3.000	3.125	2.750	4.000
Std Deviation	0.861	0.796	0.654	0.623	0.752	0.584
Variance	0.741	0.633	0.428	0.388	0.565	0.342

Source: our elaboration of ISSAN-CSV.net Project data

Figure 4⁵ also distinguishes between primary and secondary CSV stakeholders. Utilising this, it is possible to divide stakeholders into:

- primary stakeholders: situated in the first quadrant, they show a high level of impact on CSVs as well as involvement. They are the employees, collaborators, voluntary workers, member/non member voluntary associations and controlling bodies
- secondary stakeholders: overlapping the third and fourth quadrant, they display little involvement and average ability to influence CSVs. They are local, regional and provincial networking bodies, Third Sector bodies and other non-profit entities and the community where CSVs operate, the funding bodies and CSV.net.

From the analysis of the relationships between CSVs and stakeholders presented so far, there are stakeholders who are able to weigh upon the CSV activity much more than others but these stakeholders are not always the ones most influenced by the CSVs or whose motions are in line with the CSV mission. As a result CSVs must redefine relationships with their stakeholders on the basis of the institutional mission they are pursuing.

Starting from the influence of stakeholders on CSV activity, the most important stakeholders at the moment are:

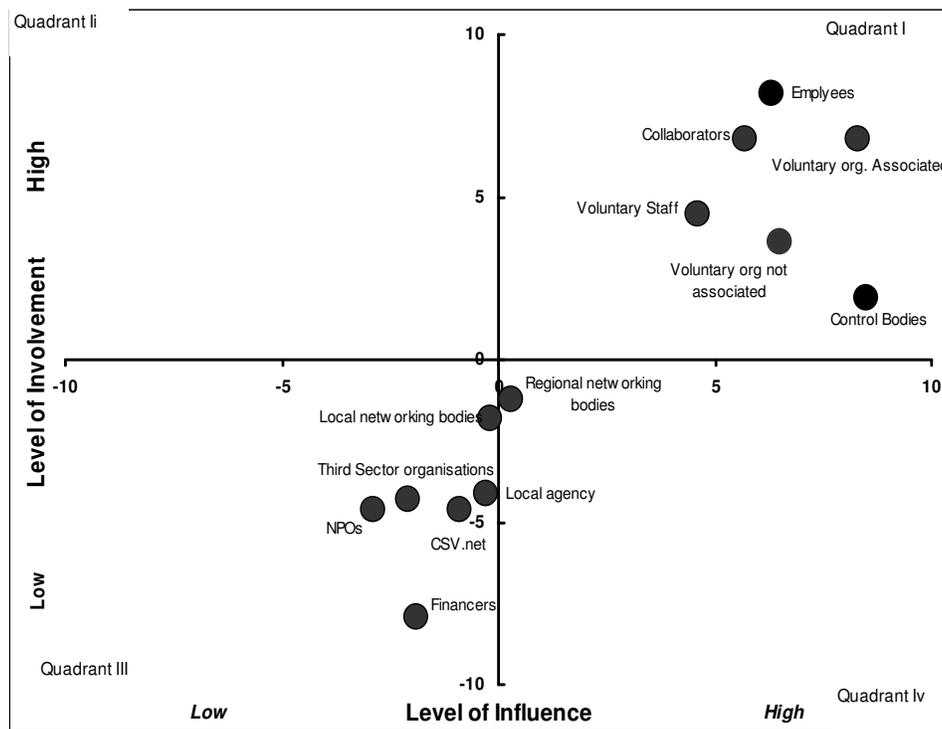
- the controlling bodies
- human resources
- some mission stakeholders i.e. the Voluntary Associations

⁵Quadrant I contains the stakeholders with the highest influence on determining strategies and most involvement in activity management: quadrant III contains the least influential and involved. Quadrant II contains those most involved in operations but not able to influence strategic decisions while quadrant IV shows influential stakeholders but not involved.

To maximize social value creation and to obtain legitimization, in the short term CSVs must satisfy the motions brought by these three stakeholder categories and for social value creation they have to be accountable primarily to them, also sharing with them the variable to be analysed by the social value accounting system.

If in the short term CSVs must satisfy the requests of the CSVs which are most influential in the sphere of activity, in the long term they must increase the weight of stakeholders capable of supporting them in following their institutional mission.

Figure 3 - Influence and involvement of stakeholders in CSV activity



Source: our elaboration of ISSAN-CSV.net Project data

CONCLUSIONS

In NPOs the ability to satisfy the requirements of all the stakeholders depends, among other things, also on their ability to develop accounting systems which can account both internally and externally on:

- the double constraint involving the economic and socio-consequential
- the attainment of the objective to maximise the social value produced.

If an NPO is unable to develop an accounting system which is able to prioritize these three dimensions, there is a limit to the contribution the accounting system can give when defining the organisational strategy. In fact, an unbalanced accounting system relating the economic, socio-consequential and mission dimensions does not permit NPOs to completely comprehend their strategic priorities nor why and toward whom they are responsible.

These limitations are found in CSVs, which are special types of NPOs and which have undergone profound changes in recent years. They are, in fact, continually being asked to respond to the needs of the voluntary sector in terms of promotion, training, consulting and planning.

Thus the CSVs find that they have to manage the requests of multiple interlocutors i.e. not only member/non member voluntary organisations but also all the stakeholders who are directly or indirectly interested and influenced by the activity carried out by the CSVs.

The ability of CSVs to satisfy requirements brought by all their stakeholders also depends on the accounting system they have developed.

This paper has highlighted how CSVs' accounting system are predominately orientated toward the economic-financial dimension rather than the social because of the difficulty encountered when precisely defining quantifiable variables in the social activities of the CSVs. In strategic terms the imbalance in the accounting system determines limits when defining the strategic priority of CSVs. In fact, these organisations are more likely oriented to develop short term projects, which are easily quantifiable in monetary terms, but this cut the social impact of their activity and reduce their effectiveness.

To solve this problem CSVs should focus their accounting system more on the social dimension of their activity. In order to make this happen more importance needs to be given to the level of stakeholder engagement because only through dialogue and the involvement of the stakeholders an NPO could be able to increase the efficacy of its accounting system. Thus in the monitoring and reporting stage of the projects CSVs should involve the main stakeholders and talk to them so that they participate in the evaluation process to determine the performance obtained and the reduce any ambiguity resulting from the intangibility of the services produced.

This paper has concentrated on defining a theoretical framework which is able to link the various accounting objectives for NPOs, and then verifying how they can be applied in practice, namely by studying CSVs. The limitations of the research lie in the difficulty finding a link between the increase in the coherence of the accounting systems adopted by CSVs and the model proposed, and the improvement in accounting and managerial performance in CSVs. Future research could be carried out to address these limitations.

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