Supporting Stakeholder Relationship Management via Disclosure on Resource Origins: Evidence from the World’s Top NGOs

Suporte na Gestão do Relacionamento de Stakeholders via Divulgação de Origens de Recursos: Evidências das Principais ONGs do Mundo

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Abstract
Issues surrounding accountability form a central part of the ongoing discussion regarding the role, place, and value of civil society organizations. Decision-makers must be aware of this challenge, seeking out proactive and innovative ways to meet the calls for legitimacy, lest increasing competition for finite resources overcome them. The disclosure of financial information using the internet demonstrates a commitment to transparency and provides an opportunity for users to make better decisions, fitting into theories on relationship marketing. This study serves the dual purpose of joining theoretical bases concerning accountability, legitimacy and marketing in the NGO realm and the execution of survey research on the online financial disclosure of the organizations listed in The Global Journal’s “100 Top NGOs 2013” Ranking, with particular attention to the origins of their resources. Content analysis was applied to categorize the line items contained in the NGOs´ Income Statement (or equivalent) reports, and quantitative techniques were employed to generate conclusions regarding the income mix, the share of the resource total represented by each category, and each NGO´s degree of dependence on each. The results indicate that donations are the most prevalent category among the sample (41.25%), followed by revenues (24.10%) and grants (17.93%). Donations were also shown to represent, on average, approximately 39% of the income mix of the NGOs in question. Finally, the vast majority of the sample (62 of the 69 reports-providing NGOs) was found to be dependent on one category alone, more than half of which received 80% or more of their resources from a single category in the year in question. These results contribute to developing research in the field of NGO web-based accountability as well as highlighting the need for a greater integration of transparency into stakeholder management practices.

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Keywords: Transparency; Non-governmental organization; Accountability; Stakeholder.

Resumo

Questões sobre accountability formam parte central da discussão sobre o papel, o lugar e os valores das organizações da sociedade. Tomadores de decisão precisam estar atentos sobre este desafio, procurando maneiras proativas e inovadoras para atenderem à exigência por legitimação, para que o aumento da competição por finitos recursos não os vença. A divulgação de informações financeiras por meio da internet demonstra o compromisso com a transparência e oferece uma oportunidade para que os usuários tomem melhores decisões, aproximando-se às teorias sobre marketing de relacionamento. Este estudo tem o duplo propósito de unir bases teóricas relativas à accountability, legitimidade e marketing nas ONGs, e a execução de pesquisa sobre a divulgação de informações financeiras online das organizações listadas no “100 Top NGOs 2013” Ranking da The Global Journal, com especial atenção para as origens de seus recursos. A análise de conteúdo foi aplicada para classificar os itens de cada linha contidos nas Demonstrações do Resultado do Exercício (ou equivalente), e técnicas quantitativas foram utilizadas sobre o mix de receitas, a parcela do total de recursos que cada categoria representa e o grau de dependência de cada ONG. Os resultados indicam que as doações são a categoria de maior representatividade na amostra (41,25%), seguido por receitas (24,10%) e subvenções (17,93%). Comprovou-se que as doações representam, em média, cerca de 39% do mix de receitas das ONGs em questão. Finalmente, verificou-se que a grande maioria da amostra (62 dos 69 relatórios analisados) é dependente de uma categoria, das quais mais que a metade recebeu 80% ou mais de seus recursos a partir de apenas uma fonte no ano em questão. Estes resultados contribuem para o desenvolvimento de pesquisas sobre web-based accountability aplicado ao Terceiro Setor, bem como destacam a necessidade de uma maior integração de transparência nas práticas de gerenciamento de stakeholders.

Palavras-chave: Transparência; Organizações não-Governamentais; Accountability; Stakeholder.

1. INTRODUCTION

More than ever, the organizations comprising the third sector find themselves confronted by calls for greater accountability, with demands from stakeholders and public institutions, if not society overall, for transparency and the responsible application of resources. Accountability now forms a central part of the ongoing discussion concerning the role, place, and value of civil society organizations, themselves increasingly faced with the need to demonstrate legitimacy. This, as the promise of meeting the needs of society and the absence of profit-as-goal are no longer enough to validate the third sector before the scrutiny of its stakeholders, whether they be direct beneficiaries, funding providers, or casual observers. Image, it appears, must be managed alongside operations, for the endorsement of various stakeholders can make or break an organization. This is to say, in order to thrive in the circumstances currently surrounding them, and civil society organizations must win support by developing new ways to market themselves.

The expansion and diversification of both the third sector and the sources from which it draws support fuels the debate on legitimacy and drives the push for accountability (SCHMITZ; RAGGO; VIJFEIJKEN, 2012), making the acquisition of society’s approval and, ultimately, financial support an increasingly complex matter. More specifically, the varied parties that observe, benefit from, and finance civil society organizations perceive and evaluate them under differing criteria –often, ambiguous and subject to change- and via individual notions of legitimacy (MORRISON; SALIPANTE, 2007) and effectiveness.
(GARCÍA, 2008). Efforts must be made to both gain and maintain approval (MITCHELL ET AL., 1997) in accordance with the weight of each “stake” held, thusly presenting an image of legitimacy that validates the mission and continued existence of the organization. In this way, civil society stakeholders represent not only the parties interested in, affected by, or in support of the diverse missions undertaken therein, but, rather, unique relationships that must be understood and addressed on their own terms. This notwithstanding, transparency has been identified as the primary tool for attaining NGO legitimacy (LARA, 2008), making the clear presentation of the organization’s structure and its activities a crucial part of managing stakeholder perceptions. Decision-makers must be aware of these needs and seek out proactive and innovative ways to rise to it, lest increasing competition for finite resources overcome them.

In summary, it becomes of managers and directors working in this field to incorporate transparency into their practices and policies. With this in mind, it has become indispensable that non-governmental organizations (NGOs) provide reports on both their financial performance and the governance structure that guides their activities (LARA, 2008), for transparency must be present at not only the operational, but strategic level, as well (RODRÍGUEZ; PÉREZ; GODOY, 2012). This, in conjunction with the recommendation of Panel on the Nonprofit Sector (2007), that NGOs disclose their financial information to a broad, even worldwide, audience, presents an additional burden to NGO managers and boards: beyond the efforts applied to achieving any particular mission, the financial situation must be carefully managed and maintained (CARROL; STATER, 2008), and reports on both communicated to society. However, a greater quantity of information does not automatically result in greater transparency and, by extension, legitimacy, for stakeholders require that it be telling of NGO activities and relevant to their evaluation and decision-making (SCHMITZ; RAGGO; VIJFEIJKEN, 2012).

In taking stock of these circumstances, one might gather that, when not mandatory, the disclosure of information on NGO goals, activities, and structure is practically obligatory to ensure the survival of the organization. Along these lines, financial disclosure is shown to be an effective method for establishing and maintaining NGO accountability (SAXTON; GUO, 2011; SAXTON; NEELY; GUO, 2014; EBRAHIM, 2003), and continuing to acquire the resources necessary to carry out their missions (MALATESTA; SMITH, 2014). Similarly, the means by which said information is disclosed has gained attention in the literature, with the internet emerging, in recent decades, as the primary tool for achieving both broader and more-effective disclosure. This, due to the fact that the competition between NGOs for finite financial resources ultimately yields a need for the maintenance of a positive image before stakeholders, driving the increased interest in social visibility within the third sector (LARA, 2008). Among the manners in which the NGO-stakeholder relationship manifests itself, the resources entering the organization from donors, grant providers, mission beneficiaries, clients and other contributors serve to illustrate an ongoing interaction. This comes full circle when reports on the same are disclosed, serving as a demonstration of the commitment to transparency and an opportunity for users to make better decisions with base in financial information.

The question remains, however, as to what disclosure is necessary, what is beneficial, and how each can be tailored to meet diverse stakeholder expectations. This study seeks to analyze such methods in place in NGO financial disclosure, drawing from the reports provided by a sample of renowned NGOs to cast light on the transparent communication of the financial situation. Taking this concept as its foundation and striving to provide a more in-depth understanding of the origins of resources that NGOs capture and ultimately apply towards their respective missions, this study analyzes disclosure on resources entering such...
organizations, complementing the procedures carried out in Borba et al. (2015). More specifically, the recognition and categorization of incoming resources, whether financial or converted into monetary terms, as a transparency mechanism is the object of this study. For sampling purposes, data from the financial statements disclosed to the public by the “Top 100 NGOs 2013” was collected and analyzed. This ranking is compiled by The Global Journal annually, containing the organizations deemed as the best-in-practice according to the corresponding methodology, incorporating disclosure and transparency, among other criteria.

Following a presentation of the key concepts making up its theoretical foundation, as gathered from related academic literature, the study provides a qualitative and quantitative analysis of the origins of financial resources drawn from the sample. In closing, concluding remarks on the study and its findings are provided.

2. THEORETICAL BACKGROUND

The topics of relevance to this study as well as the existing studies concerning the same are outlined in this section, seeking to provide both a theoretical structure of the research at hand and a presentation of ongoing work in parallel fields.

2.1 Accountability

Given its place as an umbrella term for legitimacy, transparency, effectiveness and efficiency in the NGO world, the notion of accountability is chief among the topics both directing and serving as foundation to this study. For the purposes of the later, the definition of accountability provided by Ebrahim (2003, pg. 3), which sought to synthesize existing theories and concepts in respect to the same, is adopted for the purposes of the research at hand:

“[Accountability] may be defined not only as a means through which individuals and organizations are held responsible for their actions (e.g. through legal obligations and explicit reporting and disclosure requirements), but also as a means by which organizations take internal responsibility for shaping their organizational mission and values, for opening themselves to public or external scrutiny, and for assessing performance in relation to goals. Accountability operates along multiple dimensions –involving numerous actors (patrons, clients, selves), using various mechanisms and standards of performance (external and internal, explicit and implicit, legal and voluntary), and requiring varying levels of organizational response (functional and strategic).”

Within this, a topic of particular note is the exposure to scrutiny that organizations must face and, indeed, the need to integrate accountability into their organizational strategies. Moreover, it merits note that the author poses the distinction between legal requirements and the responsibility an organization takes on its own accord.

2.2 Relationship Marketing

The lack of concrete criteria under which NGO organizational effectiveness and performance are measured results in a variety of evaluation methods, some unique to particular stakeholder groups, cultural settings or geographic regions. As such, financial disclosure cannot always be evaluated using specific requirements. Sawhill and Williamson (2001) pointed out the fundamental differences between how private enterprise and non-profit organizations are evaluated, raising questions as to what criteria should be incorporated into measuring performance and effectiveness, as well as the differing nature of primary accountabilities across sectors. In terms of financial disclosure specifically, the absence of international standards and regulations presents a complex scenario for NGOs either operating internationally or managing stakeholder relationships and accountabilities in several countries (SCHMITZ; RAGGO; VIJFEIJKEN, 2011). In recognition of a lack of consensus in terms of evaluation criteria, Liket and Mass (2013) highlight the reputational model an avenue for

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assessing the overall view held by various stakeholders in terms of NGO effectiveness. Despite this, as per García (2008), calls for measurable outcomes are mounting, with organizational effectiveness and performance gaining ground in the ongoing dialogue on NGO legitimacy and accountability. Additionally, the same author presents the concise argument that no evaluation of consequence can be carried out, whether it be on part of stakeholders or managers, in the absence of meaningful communication to stakeholders.

In viewing legitimacy as a resource in its own right, and transparency as a philosophy, to be incorporated into a position communicated to stakeholders, NGOs stand to present a more favorable image to concerned parties and, by extension, actively promote their long-term survival and effectiveness. The notion that accountability, legitimacy, and transparency overlap organizational governance and marketing—two disciplines traditionally viewed as separate functions—has been addressed in NGO literature (GARCÍA, 2008; GARCÍA; GONZÁLEZ; ACEBRÓN, 2012; LIKET; MAAS, 2013; HANNAGAN, 1992). García (2008, pg. 21, apud HANNAGAN, 1992) posits that an operationalized marketing approach serves as a way to “…establish a permanent contact with its stakeholders, to configure or anticipate their needs, to measure their satisfaction and, in that process of relationship management to translate the vision or theory of social change sustaining their mission to society in general.”

To the extent that marketing can be applied to the NGO sector, the author places it as a primary tool for relationship management, essentially linking the otherwise entrepreneurial practice with civil society organizations. García, González and Acebrón (2012) also addressed the adoption of marketing concepts in NGO settings: the study proposed five evaluation approaches to assist in the development of an NGO marketing model, illustrating the overlap between NGO evaluation and relationship marketing. Towards these ends, the authors cite the principles of the latter outlined in Sheth and Parvatiyar (1995), which viewed it as a means to improve efficiency and effectiveness—seeing both stakeholders and the process of dealing with them central to value creation across the life of the NGO. The quality and availability of information communicated to key users is thusly a central point of concern.

2.3 Long-Term Resource Dependence Management

The continued acquisition of support from those that provide it cannot be ignored by resource-dependent NGOs, suggesting that, in order to move forward in a sustainable manner, relationships with stakeholders must be managed in the long term. This ties in with Resource Dependence Theory as contemplated by Malatesta and Smith (2014), highlighting the competition for finite resources and the overall burden shouldered by NGOs of actively meeting the expectations of the parties providing support. Further, the authors attested to the need for managers to develop new strategies to mitigate their dependence on outside resources and vulnerability to exogenous control (i.e. isomorphism). This may be of even greater concern when considering the uncertainty inherent in donations and revenues from activities on which some NGOs depend. Ebrahim (2003) signaled the adoption of resource dependence management methods traditionally viewed as pertaining to the private sector in the civil society, stating that the phenomenon and its implications are equally of relevance in the NGO setting. This, in order to maintain the approval of key stakeholders that provide resources to NGOs that require them (EBRAHIM, 2003).

Despite this, the sheer variety and often-unclear nature of stakeholder perceptions and values (WELLENS; JEGERS, 2014; MORRISON; SALIPANTE, 2007; GARCÍA; GONZÁLEZ; ACEBRÓN, 2012) stand to complicate the matter, especially in the case of multiple accountabilities to financing sources and mission beneficiaries alike. The authors highlighted the complex nature of stakeholder management while also presenting its urgency in terms of not-for-profit legitimacy, noting the difficulty in managing the priorities,
expectations and perceptions of several different types of stakeholder groups (i.e. being accountable to them), including clients, governments and other financing sources.

2.4 The Role of Transparency

This diversity notwithstanding, Lara (2008) succinctly states that transparency is at the core of the issue, placing it as the first priority and foremost resource in the pursuit of NGO legitimacy, in congruence with noted researchers working in the field (BOTHWELL, 2001; EDWARDS; HULME, 1996; BEJAR; OAKLEY, 1996; CHENG, 2009). The author makes a case for not only the open disclosure of information, but that NGOs prepare and present it in a way that users can understand it. The three facets in which NGOs exist represent the concern as to how image and information are interpreted: the identity of the organization—in essence, what it is; the image of itself that it communicates to society; and the perception of the NGO held by society (LARA, 2008). Greater transparency manifests itself in bridging the gap between the three, with the NGO striving to improve the how its identity is communicated and interpreted by reducing the asymmetries between them. Transparent disclosure on the origins of NGO resources stands to assist this process, providing insight on the individuals, institutions, and activities that enable NGOs to achieve their missions.

Thus, it could be gathered that transparency is included in how the organization markets itself (GARCÍA, 2008), with stakeholder relationship management serving as a pillar of long-term survival. In a study on the application of stakeholder-based considerations to relationship marketing in NGO settings, Knox and Gruar (2006) highlight both resource-based and non-financial marketing objectives as central concerns. In this way, reporting to stakeholders can be characterized as relationship-led or financially motivated, but reality often dictates that a mixed approach is necessary. Similarly, transparency is seen as a central issue in the good governance within the NGO sector (BURGER; OWENS, 2010), with the accessibility of financial information standing as a key component of the same, as per the findings of Harris, Petrovits and Yetman (2014). The same authors found that donors both seek out and make use of NGO disclosures in decision-making. In regards to stakeholders actively seeking out information on NGOs, Cnaan et al. (2011) found that donors in particular are more prone to address the organization directly than to look for the same through third parties, suggesting that NGOs make disclosed materials available to users via their own means. Schmitz, Raggo and Vijfeijken (2011) linked donors to disclosure practices, arguing that financial support be provided in step with both mission-based results and regular reporting. An exchange, rather than a delivery, of information, emerges as the face of NGO accountability vis-à-vis key stakeholders.

2.5 Integration of Information Technology

The growth of information technology and its increasing presence in the NGO sector has been amply addressed in the literature. Saxton and Guo (2011) and Saxton, Neely and Guo (2014) dealt directly with online disclosure in the NGO realm, establishing online accountability as an emerging topic in the larger discussion on NGO legitimacy. In making note of the shifts in practices stemming from the new and widespread use of information technology, the authors point to the opportunities for greater transparency and dialogue with stakeholders made possible by the internet, arguing for widespread implementation of online disclosure as an accountability mechanism. As per Saxton and Guo (2011), web-based accountability is embodied by disclosure, which they define as “the transparent provision of key information on organizational finances and performance” (pg. 3), and dialogue, which implies the integration of stakeholders input in NGO strategy. The view that internet is an effective medium for disclosing information to stakeholders was corroborated by the results of Dumont (2013), albeit solely in the “outward” sense of the organization delivering information to the user. However, years prior, Oehler (2000) stated that the specific goals of...
fundraising, personnel recruitment, and NGO marketing can be served by making use of online disclosure. This is not the only instance of online disclosure serving an alternative purpose: Burger and Owens (2010), in their study on civil society organizations in Uganda, characterized NGO websites as not only a communications tool, but also a self-regulation mechanism, demonstrating both outward and inward accountability and corroborating the Ebrahim (2003) definition provided above. The authors found that overly demanding donors might even hamper NGO online transparency, providing a poignant counterpoint to the claim that more dialogue is always helpful.

Online disclosure practice as a standalone topic has also been present in the literature in recent years. As mentioned above, Saxton and Guo (2011) and Saxton, Neely and Guo (2014) analyzed the outcomes of the implementation of web-based practices, finding that the internet assists in NGO financial disclosure as an accountability mechanism. Along with stakeholder traits, environmental and media-related considerations were shown to affect the degree to information is disclosed online by NGOs in Tremblay-Boire and Prakash, (2012). Rodríguez, Pérez, and Godoy (2012) established a quantitative model for measuring transparency in online disclosure using a sample of NGOs based in Spain. The study, along with providing a compilation of existing research and theory on the topic, showed a relatively low degree of financial transparency in online reports. Similarly, Borba et al. (2015), by way of a survey study using a checklist technique for data collection, compared the thoroughness of financial disclosure against the total size of a sample of 100 world-renowned NGOs, finding that larger sizes (in terms of total incoming resources) is positively associated with the degree of financial disclosure. A potential implication of this finding is that larger NGOs have a greater availability of resources to be applied to online disclosure mechanisms, as well as an increased need to manage stakeholder relationships across countries. As a continuation to research in said field, this study seeks to expand on the analysis carried out in the later work, with the details of the research at hand contained in the following section.

3. METHODOLOGICAL PROCEDURES

This section outlines the steps taken toward achieving the objective of this study, detailing the data set under consideration and the analyses applied to it. In general, a survey research approach is adopted, employing exploratory methods and analyzing both qualitative and quantitative data.

3.1 Sample Selection

This study replicates the sampling methods employed in Borba et al. (2015), initially selecting the “Top 100 NGOs” as per the ranking compiled by The Global Journal concerning the 2013 year. The Ranking is provided by said Geneva-based publication on an annual basis, listing the NGOs deemed the best in practice as per its methodology spanning civil society organizations based around the world and working in diverse sectors. Additionally, the Ranking includes NGOs of any size, ranging from small grassroots organizations to world-renowned organizations such as Greenpeace and Amnesty International. The initial sample was comprised of the 100 NGOs included in the 2013 Ranking (Appendix A).

The fact that the methodology employed by The Global Journal does not take financial disclosure alone as its base merits attention: the Ranking is compiled using the following three measures of NGO practices: impact, innovation and sustainability. Within these, the effectiveness of the organization is weighed along with the efficiency with which it performs, and transparency and accountability indicators are similarly factored into the final score index. Further, the inclusion of funding predictability and consistency, the funding mix, and financial and strategic management in the Sustainability category reflects the notion that sustainable NGO development is directly related to financial disclosure and transparency.

Supporting Stakeholder Relationship Management via Disclosure on Resource Origins...
This, in congruence with the points outlined in the previous section, serves as an additional demonstration of the consensus observed in the literature. The logic behind the slightly lower weighting, in terms of the final score of each NGO, attributed to **Sustainability** (at 30%, as opposed to **Impact** [35%] and **Innovation** [35%]) is justified by the lesser ability of smaller and emerging organizations to comply with financial reporting guidelines. This is to say, the placement of a relatively greater emphasis on **Impact** and **Innovation** younger NGOs, which might not yet have established uniform and transparent financial disclosure practices, the opportunity to earn a place in the 2013 Ranking (CANNON, 2013).

During the first phase of the research process, the sample was reduced due to the unavailability of financial information in several cases. In light of this representing not a methodological adjustment, but rather a finding of relevance to the aims of the study, the reduction and sub-sample derived from the same are detailed in the section concerning the results of the study. Following this step, the study executed the following three methodological procedures: data collection, line item categorization, and quantitative analysis. Of these, the first two are contained in this section, while the latter is described in the results section.

### 3.2 Data Collection

Financial data both qualitative and quantitative in nature were gathered from the reports obtained on the NGOs’ websites during the months of October and November 2014, and March, 2015, detailing the 2013 operating year. This, to allow for the collection of financial statements disclosed at both the midpoint and end of the calendar year. These statements were selected for data gathering both as a result of their availability on the NGO websites and due to their place in the literature as the key mechanisms for NGO financial disclosure. For the purposes of the present study specifically, the items listed in the Income Statement or equivalent report (e.g. Statement of Activities, Statement of Operations, etc.) were catalogued and later submitted to quantitative and content analysis. This, in order to generate findings regarding the organizations comprising the sample and compile an overview of the larger situation of NGO financial disclosure on the global scale, using these noted NGOs as indicators of the best practices.

Using the financial information contained in either Annual or Financial Report of each NGO, the incoming resources were recorded by organization and line item, converting foreign currency amounts to USD at the corresponding Balance Sheet date. The percentage relationships between each line item and the category total, the organization total, and the overall (sample) total was calculated, as were the averages of each line and category amount.

### 3.3 Line Item Categorization

Additionally, the corresponding line item descriptions and names were collected and organized using content analysis, highlighting the diverse origins of financial resources and nomenclature in use around the world. Though only those items concerning the amounts entering the NGOs (whether monetary values or converted values of other goods and services received) were considered, a variety of origins of financial resources was observed in the NGO financial statements. In order to compare the share of each in terms of the total size of the organization, all of the line items were categorized and grouped as per their nature. In total, six groups were established to serve this purpose:

- **Revenues**: all amounts reported as income from operations and operations-type activities, e.g. membership dues, events, speaker fees, certification fees, royalties, rentals, and sponsorships, reflecting amounts earned by the organization in business-type exchanges of goods and services;
Donations: receipts of monetary and non-monetary resources from public and private institutions, individuals, and foundations, including volunteer labor and sponsorships;

Grants: financial supported obtained in the form of grants and income stemming from already-existing grants, also originating from public and private institutions;

Interest and Investments: monetary amounts originating in interest earned on financial instruments and related activities, or invested amounts, duly disclosed as separate from other income given its non-central role in NGO fundraising.

Other: unspecified or undetailed receipts;

Hybrid: amounts reported as a combination of two or more of the above categories.

Certain methodological considerations concerning the categorization stage are detailed in the Results section, as they cast light on disclosure practices observed in the sample. Further, the quantitative analyses applied to the secondary data are presented in unison with their results.

4. PRESENTATION OF RESULTS

The contents of this section display the findings born of the survey methods outlined above, which are presented in conjunction with corresponding analyses on the same.

4.1 Availability of Financial Reports

Upon commencement of data collection, a challenge was presented by the unavailability, in many instances, of financial statements provided on the NGOs’ websites. Of those that were found to disclose said reports, the same were often obtained with relative ease, being made readily available for viewing or download. In several cases (Danish Refugee Council, Riders for Health, Aflatoun, PLAN International, Interpeace, Child & Youth Finance International, Dhaka Ahsania Mission, Terre des Homes International Federation, International Alert, CIVICUS, Diplo Foundation and Born Free Foundation), a Financial Report per se was not provided, but the relevant financial statements were disclosed in the Annual Report. Table 1 displays the total of 69 Financial Reports that were collected and submitted to data analysis.

<table>
<thead>
<tr>
<th>Financial Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGO Total (2013 Ranking)</td>
</tr>
<tr>
<td>100</td>
</tr>
<tr>
<td>Less: Report not Provided / Available</td>
</tr>
<tr>
<td>29</td>
</tr>
<tr>
<td>Less: Report 2012 or before</td>
</tr>
<tr>
<td>12</td>
</tr>
<tr>
<td>10</td>
</tr>
<tr>
<td>Sub-Sample Available for Data Collection</td>
</tr>
<tr>
<td>69</td>
</tr>
</tbody>
</table>

Source: compiled from research data (2015)

As a point of clarification, it warrants mentioning that the fact that the financial information of interest to this study was not available on the NGO website does not indicate that it does not exist; the reports in question might be available in non-online formats. Despite this, the less-than-total availability of key financial information disclosed online by the NGOs indicates a considerable lack of the same as a marketing and sustainability mechanism.

4.2 Origins of Financial Resources

In accordance with the categorization procedures outlined in the Research Methodology section, the types of financial resources entering the NGOs, as disclosed in their respective reports, were grouped and submitted to quantitative analysis. In total, 110 line Supporting Stakeholder Relationship Management via Disclosure on Resource Origins...
items were found in use to describe these entries, with Revenues, Donations and Grants accounting for the vast majority at 37, 34 and 18, respectively. However, six line items, despite their inclusion in the Income Statement (or equivalent) as income entering the organization were deemed irrelevant to analysis due to their nature as reclassifications or adjustments to existing amounts. Thusly, the study elected to disregard them during quantitative analysis, based on the fact that they did not represent newly generated income but rather a change in classification of that which had previously entered the NGOs in the sample, leaving a total of 104 line items to be categorized.

A graphical representation of the total amounts pertaining to each category and the percentage of the total represented by each is displayed in Figure 2.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1.037.492.992; 10%</td>
<td></td>
</tr>
<tr>
<td>Hybrid</td>
<td>2.602.251.435; 24%</td>
<td></td>
</tr>
<tr>
<td>Donations</td>
<td>4.454.701.385; 41%</td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>675.905.435,68 ; 6%</td>
<td></td>
</tr>
<tr>
<td>Interest and Investments</td>
<td>1.936.819.175; 18%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>92.527.247; 1%</td>
<td></td>
</tr>
</tbody>
</table>

Figure 1: Funding Sources
Source: Compiled from research data (2015)

### 4.2.1 Preliminary Considerations

In light of the variety of terminology and sometimes-unclear detailing of certain accounts, the Notes to the Financial Statements were consulted, when available, to ascertain the nature of each item. When the line item alone did not provide information allowing the amount to be placed in a given group, the Notes to the Financial Statements (included in 50 of the 69 financial reports retrieved) were consulted for greater clarification. This allowed for disambiguation in several cases, chief among which was that of Amnesty International: the item “Voluntary Income” accounts for just over 99% of the total of resources entering the organization; consistent with policies disclosed in the Notes to the Financial Statements provided, the amount is recognized as revenue in place of donated amounts.

Greater insight was not always obtained in terms of items containing terms from two or more categories (for example, “Contributions, Grants and Scholarships”). Because of this, the term Hybrid was applied to seven items. Notwithstanding, this condition accounts for a small share of the total of incoming resources (6.35%), of which more than half pertains to a single NGO (Worldvision; at 62.48% of Hybrid category). Along with this, the Other category contains line items neither attributable to the other categories nor hybrid in nature (see below).

Additionally and as mentioned above, some line items were excluded from analysis due to their not representing newly-incoming financial resources, but, rather, reclassifications and adjustments to existing resources (ex. “Net Assets Released from Restrictions”, “Transfer to General Fund”, etc.) The aggregate of these items, six in total, represents a negligible amount in relation to the sum total of the sample (0.32%), further justifying their exclusion.
4.3. Analysis by Resource Category

This section provides descriptive analysis and findings gathered from the categorization of resource origins carried out above, in the order of greatest to least.

4.3.1 Donations

As shown in Figure 2, the Donations category contains the largest share of the total of incoming resources, at 48%. Among the terminology used to denote these amounts, the largest shares were held by “Donations and Contributions” (37.83% of Donations total; 15.58% of the sample total) and “Individuals” (18.83% of Donations total; 10.46% of sample total). These amounts corroborate the view that the NGO sector is, generally speaking, resource-dependent on outside contributions in place of revenues earned in exchange for goods and services.

As mentioned above, the Donations category includes contributions and support from a variety of sources. Given its majority share of the sample total, the line items in this category were analyzed individually, in order to establish the level of detail provided by the NGOs in question. Figure 3 presents the results of the content analysis process, which used the Notes to the Financial Statements to obtain a perspective on the origins of the donated resources.

Upon inspecting the Donations analysis, the fact that the specific origin of 57.21% of the line items is not provided in the Income Statement (or equivalent report) nor Notes to the Financial Statements indicates a lack of transparency in this most-pronounced income category.

4.3.2 Revenues

Though not generated through business activities, the revenues collected by the NGOs in question originated from sales, licensing, events, speaking, royalty, and service charges, among others. A total of 37 line items captured the revenues reported in 2013, accounting for $2.6 million USD. Of this amount, approximately 60% was comprised of revenues entering just two organizations from a network of subsidiaries (“Contributions from National and Regional Organizations”): Worldvision (94% of the line item total, representing 71.89% of its total income) and Greenpeace (6% of the line item total, approximately 96% of its total income).

Figure 2: Origins of Donations

Source: compiled from research data (2015)
income). Lastly, 25 of the 69 NGOs providing financial statements used the base term “Revenues” alone to report incoming resources in the aggregate, signaling a need to look beyond the accounting r in order to understand the origins of its income.

In almost all cases, the line items contained in the Revenues category were more explicit and easily categorized than the Donations content. However, ambiguity as to when a donated amount pertains to revenue still exists, and detailing was not always provided as to the income generated in specific projects. This lack of additional detail may present the need for categorization methods of greater specificity so as to isolate the income stemming directly from the NGO mission from that portion of revenues from supplementary or tangential activities.

4.3.3 Grants

Grants income represent an important method for NGOs to acquire financing, with related income comprised of not only newly incoming grants, but also the portions of them that are freed from restrictions during the reporting period. Figure 1 displays the finding that the Grants category accounts for a significant share of the sample total (17.69%), most of which is reported as “Donor Grants” in the NGO financial statements observed (38.5% of category total). Following this, “Grants and Contracts” occupied 32.03% of the category total and 5.57% of the sum of the sampled income. Finally, “Government Grants”, at 20.29% of the sample total, was also a common observation, as were similar line items that signaled to similar sources (e.g. “Grants – Australian government”, “Funding from public sources (grants)”).

The Grants category was more self-explanatory than both Donations and Revenues, with the term “Grant” included in all of the 18 line items disclosed by the NGOs surveyed. As such, interpretability and ease-of-use were noted upon analysis of this category.

4.3.4 Interest and Investments

Though representing just 0.86% of the sample, analysis on the Interest and Investments category provided insight into the financing structure of some of the most renowned NGOs in the 2013 Ranking. Firstly, “Interest Income” accounted for the majority of the category total, with 61.81% of the sum (representing 0.54% of the sample total). Income from interest was not shown to provide more than 4% of the financing total of any of the NGOs in question, indicating its non-prevalence as a method for capturing financial resources.

Similarly, “Investment Income” contained virtually the rest (36.26%) of the category total, chiefly due to its share of the financing mix of two of the larger NGOs in the Ranking: Greenpeace (19% of NGO total) and Mercy Corps (10%). This finding demonstrates that investing activities complement revenue-generating and fundraising activities –pillars of NGO financing– to a considerable extent in two of the largest NGOs included in the sample. In this way, and though a small portion of the sample total, interest and investment-based activities cannot be overlooked given that they may indicate an emerging method for resource acquisition.

4.3.5 Other

This category is comprised of just five line items detailing income of nondescript nature and origin, one or more of which were included in the financial statements of 48 of the NGOs sampled. This is to say, “Other” income cannot be grouped with revenue-generating, grants-related, investments or donations-based financing sources. Almost the entirety of the sum of this category (98.78%) was found to be contained as “Other Income”, accounting for 9.47% of the sample total; more than half of this pertains to the Diplo Foundation: 56.22% of
the organization’s financing enters via this item, accounting for just over 5% of the sample total. Given that the category overall represents nearly one-tenth (9.6%) of the financing total of the sample, a case could be made for noted NGOs to provide greater detail on this funding source.

A standout of this category is the Diplo Foundation, which reports 56.22% of its total financing as “Other Income”. This lone amount pertaining to the organization also accounts for approximately 53% of the sample total, making it a unique case within the NGOs in question.

4.4 The Income Mix and Resource Dependence

In conjunction with the line item and category totals, Figure 3 compares the income mix, presenting the average portion of the resource total represented by each category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Income Mix Averages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations</td>
<td>38.98%</td>
</tr>
<tr>
<td>Grants</td>
<td>18.49%</td>
</tr>
<tr>
<td>Revenues</td>
<td>15.82%</td>
</tr>
<tr>
<td>Hybrid</td>
<td>11.59%</td>
</tr>
<tr>
<td>Other</td>
<td>3.47%</td>
</tr>
<tr>
<td>Interest and Investments</td>
<td>1.32%</td>
</tr>
</tbody>
</table>

Source: compiled from research data (2015)

As shown above, Donations are, on average, far more pronounced in the income mix (at approximately 39%), corroborating with the category’s majority share of the sample total. It bears mentioning that, though not coinciding exactly with the percentage amounts of the category totals versus the sample total, the order in which the first three categories (Donations, Grants and Revenues) ranked is nearly identical in both the totals and mix results. The Hybrid category shows a higher average representation in the income mix than its proportion, in nominal terms, of the sample total.

In order to determine resource dependence on a particular category in the mix, the individual observations of the percentage of each category in relation to the NGO financing total were calculated. From this, the organizations reporting between 50-100% of the total of their respective income mix were identified, highlighting the dependence on resources said provided by said category. Figure 5 displays the results of the resource dependence analysis.
As shown above, the NGOs comprising the sample show a strong tendency toward a heavy concentration of income origins in a single category. Sixty-two of the 69 organizations in question display this trait, with 40% relying on a lone category for 90% or more of their incoming resources. Of the 20 top-ranked NGOs in the sample, 80% are at least 50% dependent on a lone category. With this stated, it is important to note that this condition does not necessarily indicate a lack of revenue diversification, as the aggregate value including multiple sources may form the category displaying the trait. Ideally, accounting and client information maintained by the organization would allow for additional analysis as to the income mix in terms of not only categories, but also subcategories and the individuals and institutions constituting them.

5. CONCLUDING REMARKS

This study sought to provide an overview of the financial disclosure on the origins of financial resources entering the 100 NGOs deemed the world’s best by The Global Journal’s 2013 Ranking. The theoretical basis for linking accountability, transparency, and NGO marketing was provided in the corresponding section of the paper, presenting the notion that such organizations stand to better their image before stakeholders, and society overall, by way of improved financial disclosure, among other methods.

Upon analysis of the financial reports made available online by the NGOs termed the best in practice by The Global Journal, the results yielded a broadened increased understanding of the state of the art of financial disclosure of the origins of resources in the global NGO sector. Initially, the first phase of data collection presented the less-than-total availability of financial reports online (69%), hindering a comprehensive analysis of the sample. The study evidenced the dominance of the Donations category in the resources entering the organizations under consideration (48.2% of the sample income total), as well as the fact that the origins of more than half of those amounts (57.21%) are not disclosed in the 2013 reports. Parallel to this, the results showed that, on average, donations encompass nearly 39% of the income mix of resources entering the “Top 100” NGOs in 2013. In addition, analysis on the income mix displayed the dependence, of 62 of the 69 NGOs analyzed, on a single income category, demonstrating a concentration of fundraising efforts specific resource-providing efforts and possibilities.

However, the methodological procedures employed here were confronted by certain challenges. Before detailing these, it merits mention that several of these very same both limit and motivate this, and similar, research, as the literature, in congruence with the findings above, make a case for greater detail, uniformity, and online disclosure of NGO financial information. For example, the fact that many of the organizations in question are headquartered in non-English speaking countries could imply that translation errors and differing terminology distorted the analysis of financial reports prepared and disclosed in English. That said, the identification of existing discrepancies of this type might serve the later purpose of benchmarking improvements made in practice around the globe as NGO disclosure practices are harmonized, bearing in mind the growing demands for accountability across borders.

Among the limitations to the study, the possibility of ambiguity in accounting terms across borders might have compromised line item grouping and subsequent analysis. As such, the judgment of the authors, drawing from a knowledge of financial accounting and the clarification presented in the Notes to the Financial Statements (when available) was the tool used to categorize unclear line items, which exposed the data analysis to a degree of subjectivity. The advent of international accounting standards in the private sector signals a possible eventual resolution of this issue in the NGO realm as it strives to harmonize reporting methods and related norms; the frequent lack of detail regarding the specific origins of
funding sources deterred more in-depth analysis and more honed methodological procedures. Among the latter, the arbitrary grouping of line items into the Hybrid category embodied the need for additional detail in NGO financial disclosure in support of increased transparency to stakeholders and decision-makers.

Further, enriched explanations and grounds for the reasoning behind the accounting treatment of donations as revenues, or vice versa, could help to provide more understanding as to the activities, relationships with clients and financing sources, and the organizational philosophy of NGOs—a marketing mechanism, in its own right. Along with this, the absence of international reporting standards concerning donated services, including volunteer labor, further complicates an analysis of the income mix. Greater perspective on the reasoning behind tallying donations as revenues based in activities could serve as a compass for how NGOs view the role of that stakeholder group as well as that category of incoming resources.

As a suggestion for further research, insight into disclosure on the applications of resources as a legitimacy-building and relationship management function could be developed, applying a methodology either similar to the one outlined here, or wholly unique. The results of such a study would complement those here, while also supporting the development of new models and practices for transparent and useful disclosure on NGO financial information. Along with this, analysis on the relationship between output variables (i.e. NGO performance) and the origins of resources could cast light on how income mixes are associated with organizational effectiveness and efficiency. Finally, more advanced methodological techniques and in-depth analysis could further assist in connecting relationship marketing to transparency in financial disclosure, thusly contributing to an understanding of legitimacy as a resource for NGOs in the execution of their mission and acquisition of support and approval from society. This would serve as a theoretical base for continued research in the field, as well as guide both NGOs and stakeholders in establishing and maintaining an effective dialogue.

6. REFERENCES

BEJAR, H.; OAKLEY, P. “From accountability to shared responsibility: NGO evaluation in Latin America”. IN M. EDWARDS & D. HULME (Eds.), Beyond the magic bullet: NGO performance and accountability in the post-cold war world (pp. 91-100). West Hartford, CT: Kumarian Press. 1996.


APPENDIX A: ORGANIZATIONS COMPRISING THE GLOBAL JOURNAL “100 TOP NGOS” 2013 RANKING

<table>
<thead>
<tr>
<th>Rank</th>
<th>NGO</th>
<th>Rank</th>
<th>NGO</th>
<th>Rank</th>
<th>NGO</th>
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<td>Water for People</td>
<td>69</td>
<td>Rainforest Alliance</td>
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<td>Aflatoun</td>
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<td>Marie Stopes International</td>
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<td>Child &amp; Youth Finance International</td>
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<td>Asylum Access</td>
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<td>Save The Children International</td>
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<td>Ycab Foundation</td>
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<td>Tostan</td>
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<td>Dhaka Ahsania Mission</td>
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<td>Cure Violence</td>
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<td>Fred Hollows Foundation</td>
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<td>International Commission of Jurists</td>
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<td>Mercy Corps</td>
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<td>Saide Criança</td>
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<td>Movember Foundation (Worldwide)</td>
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