Abstract Reference Number: 104

Author
Cherrie Yang, Deryl Northcott

Title
Promoting charity performance accountability reporting: The institutional work of regulators

Abstract
This research investigates the institutional work undertaken by regulators to promote performance accountability reporting in the New Zealand charity sector. Since 1 April 2015, New Zealand registered charities have been required to prepare a performance report that includes both financial and non-financial information in accordance with new financial reporting standards. A tiered framework, introduced by these standards, classifies charities into four reporting tiers based on their annual expenditures (Tiers 1 to 3) or operating payments (Tier 4). The majority (96%) of charities (those in Tiers 3 and 4) must report non-financial performance information in a ‘Statement of Service Performance’ template for the first time. This performance information, including information on outputs and outcomes, is a crucial means by which charities discharge performance accountability to their stakeholders (Charities Services, 2016) and is increasingly needed by government funders and philanthropic organisations (Yang, Northcott & Sinclair, 2017). This research adopts an institutional work perspective (Lawrence & Suddaby, 2006) to analyse how and why charity regulators go about reshaping institutionalised practices around charity performance accountability reporting. Nineteen semi-structured interviews were conducted with participants from Charities Services (the New Zealand charity regulator), and the External Reporting Board (the standard-setters). Documents were also obtained from the public domain and provided during interviews. Our findings reveal that the central aim of regulators’ institutional work is to transform institutionalised beliefs within Tiers 3 and 4 charities about their performance accountability reporting. The goal of this transformation is to enhance these charities’ ability to tell a holistic story about their performance, thus facilitating improved performance accountability reporting in the charity sector. However, this institutional work aimed at disrupting charities’ previous financial
reporting practices (e.g. providing only bank statements to Charities Services) and creating new performance accountability reporting norms and practices is constrained by various challenges. These include: perceived high resistance from Tiers 3 and 4 charities (the compliance rate for the first year of submission was only 59%); perceived poor governance and capacity within charities; high turnover of charity staff and volunteers; perceived confusion in understanding the difference between outcomes and outputs; and resource constraints amongst both the charities and the regulators.

This research contributes to the literature in three areas. First, it responds to recent calls (e.g. Yang et al., 2017) to investigate regulators’ efforts in changing accountability reporting practices in the charity sector. Second, it contributes to the United Kingdom-based literature (Connolly & Hyndman, 2013; Hyndman & McMahon, 2010, 2011) by providing New Zealand evidence that will facilitate cross-country comparison and theorisation. Third, it contributes to the novel, but developing, literature on institutional work by providing empirical evidence of regulators’ efforts to shape institutional change in the charity sector. In addition, this research has secured a high level of participation and interest from New Zealand charity regulators and standard setters, so will contribute to regulatory policy and practice in the charity sector.

**Keyword**

performance accountability, institutional work, charities, regulators