

Nonprofit Ethics and Accountability: Synthesizing Research on Nonprofit Regulation Programs

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The growth in size, assets and influence of nonprofit organizations (NPOs) in recent years has brought scrutiny from the public, donors, government officials, the media and funders. The many dimensions of ethical behavior and accountability in NPOs have been examined by numerous scholars. This study synthesizes the research and provides a substantive review of key concepts related to advancing nonprofit ethics and accountability through NPO regulations and other methods. In addition, gaps in the research are identified in order to inform future work. This summary will prove useful for NPO staff, stakeholders, regulators and others interested in improved governance.

INTRODUCTION

Nonprofit organizations (NPOs) are stewards of the public trust, providing mechanisms through which the public can support work that improves the quality of life for people across the country and, indeed, across the globe (Aitamurto, 2011). It is imperative, then, that these organizations operate in a highly ethical manner and are transparent and accountable. The public has a strong level of trust in nonprofits, and when one falters, that trust can quickly erode for all. What has been done, what is being done, and what can be done going forward – to strengthen nonprofit ethics and accountability in the most effective ways possible?

The goal of this literature review is to gather and synthesize the existing research related to mechanisms for strengthening nonprofit ethics and accountability, specifically NPO regulation programs. At the organization level, understanding which mechanisms are effective will better enable individual entities to implement changes that create more accountability to their stakeholders. At the sector level, synthesizing this research may facilitate the identification of programs or strategies that will not only maintain the public's high level of trust in charitable organizations, but also signal the sector's ongoing commitment to self-regulation.

The paper is organized as follows: first, an historical context is provided to describe circumstances that have contributed an increased emphasis on the need to advance nonprofit ethics and accountability. This is followed by a synthesis of the key literature related to NPO voluntary adoption of Sarbanes-Oxley (SOX) provisions, as well as a review of the literature related to three types of nonprofit self-regulation programs: (1) accreditation programs; (2) voluntary guidelines and codes of ethics, and (3) charity watchdog programs. Last, we present opportunities for future research that can serve as a guide for others

interested in adding to the body of knowledge on this topic. This study summarizes and integrates the results of studies focusing on self-regulation methods that are promulgated, or supported by, the nonprofit sector to advance ethics and accountability. The value of this review is seen in its ability to synthesize what is known about these mechanisms in order to support NPO and sector-wide efforts to improve ethics and accountability. In addition, by identifying opportunities for future research, this review serves as a roadmap for ongoing work.

LITERATURE REVIEW

Historical Context

Approximately 1.4 million NPOs exist in the United States and in 2014, received more than \$350 billion in contributions from individuals, corporations, foundations and others (NCCS, 2016). Approximately 33.7 percent are human services organizations, 13.2 percent are health care entities, and 18.1 percent are education related (Blodgett & Melconian, 2012). Public oversight of these entities occurs at the federal level through mandatory IRS Form 990 reporting requirements and at the state level through Secretaries of State offices.

In the early 2000s, significant financial scandals occurred in the private sector, prompting passage of the Sarbanes-Oxley Act in 2002 (Nezhina & Brudney, 2010). While the majority of the provisions were not mandated for NPOs, many believed they would eventually be required. Reinforcing this was the fact that several high-profile nonprofit scandals also occurred during this period and prompted increased government attention on the sector's need for greater accountability (Benzing, Leach & McGee, 2011; Ostrower, 2007).

In 2004, the U.S. Senate Finance Committee convened a series of hearings titled, "Charity Oversight and Reform: Keeping Bad Things from Happening to Good Charities" (Smith & Shaver, 2009). Following the hearings, the Senate invited key stakeholders to a Charitable Governance Roundtable to discuss how ethics and accountability could be strengthened within the nonprofit sector (Smith & Shaver, 2009). This work was advanced even further when the Senate subsequently requested that Independent Sector convene a "Panel on the Nonprofit Sector" to further "scrutinize nonprofit reform measures" (Smith & Shaver, 2009, p. 142). Independent Sector is a Washington, DC based membership organization that includes nonprofit charitable organizations, foundations, and corporations who collectively work to "advance the common good" (Independent Sector, 2018). The organization did convene such a panel, and the panel issued a set of recommendations in a report titled, "Strengthening Transparency, Governance, and Accountability of Charitable Organizations: A Final Report to Congress and the Nonprofit Sector" (Independent Sector, 2005). The recommendations included additional government oversight through the Pension Protection Act of 2006 as well as numerous suggestions regarding how NPOs could strengthen their individual practices and policies.

Many of the recommendations related to government oversight were later incorporated into revisions made to the IRS Form 990 in 2008. This included requiring organizations to answer questions about specific policies including, but not limited to, "conflict of interest, protection of whistleblowers, retention and destruction, and compensation" (Hale, 2013, p. 36). While the new questions posed in the Form 990 did not result in new requirements; they did create significant pressure for organizations to respond affirmatively on the form signaling that they were in compliance (Hale, 2013).

During the same timeframe, the nonprofit sector responded to the demand for greater accountability by implementing a variety of new standards, guidelines, and certification programs intended to promote self-regulation with regard to ethics and accountability. Independent Sector continued its work with the Panel on the Nonprofit Sector and issued the "Principles for Good Governance and Ethical Practices" in 2007 (Independent Sector, 2015). Other organizations developed similar initiatives and resources. For example, the Maryland Association of Nonprofits expanded its Standards of Excellence accreditation program which, today, accredits 216 NPOs annually (Standards for Excellence Institute, 2018). In addition, technical assistance organizations such as BoardSource and state nonprofit associations across the country provided, and continue to develop, resources, recommendations, and technical assistance to

encourage stronger ethics and accountability in the nonprofit sector. This information may be useful as organizations conduct assessments of their current policies and practices, develop and implement new policies and procedures, and provide training to both board and staff about the importance of those new practices. For instance, an organization may wish to strengthen its conflict of interest policy, investment policy, or other key policies; undergo an assessment of how financial data is shared with, and reviewed by, the board; or develop and provide a more robust, comprehensive orientation program for new board members to ensure they fully understand their legal and ethical responsibilities.

In short, during the past thirteen years, the Sarbanes-Oxley Act (SOX) was passed, the IRS Form 990 was revised, and sector organizations began initiating new self-regulatory processes and resources. Given the relatively short period during which these developments have occurred, it is reasonable that a compilation of the academic literature examining the effectiveness of such processes, programs, and voluntary guidelines related to increasing ethics and accountability would be useful.

METHODOLOGY

In organizing this review, literature searches were first conducted to identify research about the impact SOX had on voluntary adoption of provisions by NPOs. In particular, did research exist about the types or sizes of organizations that adopted SOX provisions, or identifying factors that might influence an NPO's decision to adopt such provisions? Second, searches were then conducted to examine the research about other voluntary, or self-regulatory, mechanisms to strengthen an NPO's accountability and ethical conduct. Literature was identified and synthesized with regard to accreditation programs, voluntary guidelines and codes of ethics, and charity watchdog programs. Key themes and results were noted from each study in order to create a holistic view of the current state of the literature. Collectively, opportunities for future research were also noted and summarized.

Voluntary Adoption of Sarbanes-Oxley Provisions

Two important lessons can be learned from examining NPOs that voluntarily adopted provisions of SOX. First, resource availability and size appear to be linked to policy adoption (Blodgett & Melconian, 2012; Nezhina & Brudney, 2010; Ostrower, 2007). In 2012, Blodgett and Melconian examined 80 nonprofit healthcare agencies to determine how closely they adhered to the provisions of SOX. Approximately 52 percent of agencies with assets over \$100 million were in compliance with SOX provisions, but less than 10 percent of agencies with assets under that level were in compliance (Blodgett & Melconian, 2012). Possible explanations include the fact that larger organizations are under a higher level of scrutiny, and at the same time, have greater resources for professional management and training (Blodgett & Melconian, 2012).

Similarly, Nezhina and Brudney (2010) conducted a survey of 304 NPOs with annual expenditures ranging from \$888,893 to \$41,129,012. The study found that approximately half the organizations implemented new practices as a result of SOX (Nezhina & Brudney, 2010). Larger organizations were three times more likely to adopt new policies, likely due to both resource availability as well as higher expectations of accountability (Nezhina & Brudney, 2010). The authors noted that some organizations did not make policy changes due to the leader's propensity for "maintaining the status quo" (Nezhina & Brudney, 2010, p. 297). One of the largest studies of this issue involved more than 5,000 NPOs. Findings indicated that "with respect to organizational characteristics, size was the most consistently influential" in terms of an organization's adoption of new practices related to SOX (Ostrower, 2007, p. 6).

As described above, the collective body of literature on SOX and related federal laws makes a strong argument that large organizations and those with greater resource availability—often but not always the same—are significantly more likely to implement practices to enhance ethics and accountability than smaller organizations with fewer resources. Greater financial resources can lead to more experienced and professional leadership, increased training opportunities, and the staff time needed to develop and implement such policies. In addition, larger organizations are subject to higher levels of scrutiny, and this

may create a greater sense of urgency in adopting new practices to increase ethics and improve accountability.

The impetus for nonprofits to voluntarily adopt new policies may also be linked to concerns about future legislative or regulatory requirements. Some studies show an increase in nonprofit compliance with SOX provisions following its passage (Ostrower (2007); Nezhina & Brudney (2010)). Approximately half the organizations studied by Ostrower (2007) revised or implemented new policies following Sarbanes-Oxley, and a series of studies by Foley & Larder LLP and Grant Thornton LLP (in Nezhina & Brudney, 2010) found that some 50-70 percent of the organizations they studied did the same. Whether these policies (including conflict of interest, audit provisions, and whistleblower policies) were implemented directly in response to SOX is unknown, but the timing certainly suggests a connection (Ostrower, 2007). Table 1 provides a summary of these findings.

**TABLE 1
VOLUNTARY ADOPTION OF SARBANES-OXLEY PROVISIONS**

| Authors | Key Results |
|---|--|
| Influence of Organizational Size | |
| Blodgett & Melconian (2012) | Organizations in this study with assets over \$100 million were in a higher level of compliance with SOX provisions than smaller organizations. Possible explanations are that larger organizations are under higher levels of scrutiny, and/or that they have greater resources for professional management and training. |
| Nezhina & Brudney (2010) | This study of 304 NPOs found that approximately half had implemented new practices as a result of SOX. Larger organizations were three times more likely to adopt new policies; potential reasons include greater resource availability and/or higher expectations of accountability. |
| Ostrower (2007) | This study of 5,000 NPOs found that size was influential in terms of an organization's adoption of new practices related to SOX. |
| Influence of concern about future regulation | |
| Ostrower (2007) | Approximately half of the organizations studied revised or implemented new policies following the passage of SOX, possibly in direct response to the new legal requirements in the legislation. |
| Foley & Larder LLP and Grant Thornton LLP (in Nezhina & Brudney) (2010) | Over half of the organizations studied revised or implemented new policies following SOX. |

Effectiveness of Nonprofit Sector Self-regulation Programs

Looking beyond SOX, what strategies has the sector implemented to address the need for self-regulation, and what does the literature say about these strategies? Self-regulation mechanisms in the sector generally fall into three key categories: (1) accreditation programs, (2) voluntary guidelines and principles, and (3) charity watchdog programs. How effective are these programs and processes in increasing ethics and accountability? The literature findings are summarized in Table 2 and more fully discussed below within each subsection.

Accreditation Programs

Outside of stronger government regulations and oversight, accreditation programs conducted by independent entities can provide an effective method of self-regulation within the sector. This is where

the literature is most robust. Organizations participating in accreditation use both the preparation *process* and the resulting recommendations to influence change (Carman & Fredericks, 2013; Lee, 2014). Carman and Fredericks (2013) studied the effectiveness of the Council on Accreditation program and found that the process of preparing for accreditation is instrumental in helping organizations achieve a higher level of ethical practice. Lee (2014) conducted case studies on organizations also accredited by the Council on Accreditation and found that “some agency leaders intentionally used accreditation to urge and justify changes for further improvements and professionalization” (p. 411).

Understanding that accreditation can be an effective method for improving the strength and professionalism of organizations is only part of the equation. It is also important to understand more about the motivation to undergo accreditation, generally an expensive and time-consuming proposition. Collectively the literature suggests that motivating factors include the need to comply with external requirements (including those imposed or suggested by funders), the desire for public recognition, and the intent to improve the organization (Carman & Fredericks, 2013; Lee, 2014). Carman and Fredericks (2013), for example, found that reasons for pursuing accreditation include funder requirements or expectations, anticipated improvements for the organization, and the influence of a key staff member who serves as a champion for accreditation. Further, they found that 40 percent of study respondents believed that accreditation made the organization more competitive, 35 percent thought it helped strengthen policies and procedures, and 25 percent noted that it helped the organization focus on best practices (Carman & Fredericks, 2013). Lee (2014) found that reasons for participating in accreditation included a desire to keep pace with similar organizations in the field, to meet regulatory or other external requirements, to make improvements in the organization, and “to distinguish themselves as one of the best” (p. 412).

The literature is consistent regarding accreditation’s role in influencing donor perceptions (Feng, Neely & Slatten, 2016; Slatten, Guidry & Austin, 2011). Feng et al. (2016) examined the accreditation program sponsored by the Standards for Excellence Institute. The Institute’s “Ethics and Accountability Code for the Nonprofit Sector” includes standards related to legal compliance, ethics, and governance practices (Standards for Excellence Institute, 2014). Organizations who document compliance with standards are recognized with a Seal of Excellence. Feng et al. (2016) found that donor perception of the organization improves as a result. Similarly, Slatten et al. (2011) discuss agency theory with respect to the fact that donors expect nonprofits to use contributions effectively. Accreditation provides a level of external validation for this expectation and improve donor perceptions as a result (Slatten, Guidry, & Austin, 2011).

Barriers to Accreditation

With regard to challenges associated with accreditation, the most frequently cited was a lack of capacity in terms of the infrastructure, time and financial resources needed to participate (Carman & Fredericks, 2013). This parallels the findings described earlier related to implementation of SOX provisions; larger organizations with more resources were more likely to pursue new policies and practices. Another challenge is that the proliferation of accreditation programs and the increasing number of nonprofits that are being accredited diminishes the ability of a participating organization to differentiate itself (Tremblay-Boire, Prakash, & Gugerty, 2016; Lee, 2014). Tremblay-Boire et al. (2016) note that the growing number of accreditation programs may actually make it more difficult for stakeholders to recognize credibility signals. Some accreditation programs have more rigorous requirements and verification processes than others, and stakeholder confusion about these programs may weaken the resulting signals of credibility (Tremblay-Boire, Prakash, & Gugerty, 2016). Lee (2014) also notes that the ability of accreditation programs to differentiate among stronger and weaker nonprofits—to signal excellence, in other words—may be diminished when the market is saturated with multiple accreditation programs. Interestingly, as the number of programs grows, the motivation of a nonprofit organization to participate in accreditation may shift from a desire to achieve recognition as an ‘organization of excellence’ to a desire to simply keep pace with peers (Lee, 2014). This desire to keep

pace may actually serve to advance the goals of sector self-regulation, and additional research in this area is warranted.

Industry-specific accreditation programs also exist within the sector. Several examples include the Joint Commission's accreditation program for healthcare entities, the National Association for the Education of Young Children's accreditation program for early childhood education centers, and organization-specific accreditation or certification programs run by federations like United Way of America or Girl Scouts USA. There is a unique difference between these types of programs and the general nonprofit accreditation programs described previously, however. In many industry-specific fields, such as health care or early childhood education, accreditation is either mandated or so intrinsically tied to service delivery that participation is not optional. Similarly, in many federated organizations, accreditation or certification is often required in order for affiliated entities to use the trademark name. Literature was not identified that compares the ethics and accountability of organizations that participate in these segment-driven accreditation programs with others in the sector who do not participate in such programs. This presents an area for rich further research.

Voluntary Guidelines and Codes of Ethics

Many organizations serve the nonprofit sector by providing technical assistance, training, publications, and other resources intended to help nonprofits strengthen performance and infrastructure. There are myriad sources for written principles and guidelines intended to improve ethics and accountability. BoardSource (2005) for example, has published the "Twelve Principles of Governance that Power Exceptional Boards," which includes principles focused on transparency, ethics, and intentional structures and practices. The Independent Sector's "Principles for Good Governance and Ethical Practice" is another example (Independent Sector, 2015). Bromley and Orchard (2015) report that 24 of 45 state nonprofit associations have now adopted codes of ethics intended to help prevent fraud and promote accountability. The Association of Fundraising Professionals has developed a fundraising code of ethics now in place at organizations across the country. Countless other organizations, affinity groups, and others have developed similar guidelines and tools all designed to help individual NPOs become more ethical, transparent, and accountable to their stakeholders and society at large.

Literature on voluntary guidelines is limited but suggests that their development is a direct response to stakeholder demands for accountability. Bromley and Orchard (2015) examined codes of conduct promulgated by state nonprofit associations and note that, "understanding that codes of conduct are a reflection of broader cultural influences sheds light on why they might emerge" (p. 14). The extent to which such guidelines serve to change actual behavior is unclear, but such codes have the potential to positively influence an organization's ethical practice and level of professionalism (Bromley & Orchard, 2015).

Lee (2016), however, asserts that it is uncertain whether regulations and policies serve as an effective impetus for change. To support this point, Lee (2016) notes that past research shows no correlation between higher numbers of legal violations and an organization's lack of ethics policies. How, then might tools and resources be implemented so that resulting policies have a more significant impact? Holder-Webb and Cohen (as cited in Lee, 2016) argue that the efficacy of voluntary guidelines appears to be improved when such guidelines can be adapted and customized to fit an individual organization's unique circumstances. For example, Independent Sector (2015) emphasizes the need to consider, adapt, and adopt customized policies related to each of its "Principles for Good Governance and Ethical Practice." Such a practice is well aligned with Holder-Webb and Cohen's findings.

In addition, the literature suggests that codes of ethical conduct are most effective when implemented as one component of an organization's overall culture of ethics (Feldheim & Wang, 2002; Schwartz, 2013). Feldheim and Wang (2002) identified several "ethics enhancement strategies" defined as "systematic organizational efforts to develop ethics standards and values, to promote and implement ethical behaviors, and to review ethics practices" (p. 80). They studied: (1) the types of information shared with stakeholders (such as financial trends, debt obligations, or citizen survey results), (2) the accountability tools that were used (such as reports, public hearings, or community newsletters), and (3)

the extent to which staff were willing to be accountable (by participating in ethics trainings or by managerial reviews of ethical conduct, for example) (Feldheim & Wang, 2002). The authors found that organizations can promote an “ethical climate” by adopting multiple strategies together, including a code of ethics, a process for enforcing ethical expectations (such as mandating that staff attend ethics trainings or conduct ethical conduct reviews) and modeling ethical behaviors (Feldheim & Wang, 2002, p. 80). Similarly, Schwartz (2013), in addressing business ethics, asserts that a code of ethics is one part of a larger ethics program. He notes that ethical values should create the foundation upon which an ethics program (consisting of a code of ethics, training, and monitoring) is developed, and that the program should be actively supported by managers, leaders, and the board (Schwartz, 2013). NPOs may be able to advance and sustain a more ethical culture by implementing mechanisms such as staff training and monitoring programs to support its code of ethics.

Charity Watchdog Programs

The third category of nonprofit self-regulation initiatives is the charity watchdog program. Watchdog organizations include GuideStar, the Better Business Bureau’s Wise Giving Alliance, Charity Navigator, and the American Institute of Philanthropy’s Charity Watch (Szper, 2012). Many of these programs issue a seal or rating to reflect compliance with standards related to disclosure and transparency, or alternatively, issue negative reports for those who fall below standards. The literature reflects two areas of study.

First, such programs have developed to increase transparency between organizations and their stakeholders (Gugerty, 2009; Szper, 2012). Gugerty (2009) asserts that such programs “arise in part as a response to imperfections in the market for nonprofit accountability... [consisting] of information asymmetries between nonprofits and their stakeholders” (p. 244). Szper (2012) notes that “charity watchdogs evaluate nonprofits on explicit financial and organizational criteria” which allows donors to “compare across nonprofits or examine a given nonprofit over time on a variety of... parameters” (p. 937).

In addition (and similar to nonprofit accreditation programs), charity watchdog programs that have a strong verification process are more effective in communicating a nonprofit organization’s trustworthiness. Gugerty (2009) discusses signaling theory and asserts that certification programs provide “signals of virtue that can distinguish high quality, ethical organizations from lower quality or less ethical counterparts” (p. 264). This research examined 32 nonprofit accountability programs and determined that the rigor of the verification process is the most influential factor in strengthening the credibility signal. Further, programs run by independent, third party organizations have more credibility than self-regulatory programs (Gugerty, 2009). Tremblay-Boire et al. (2016) also found that self-regulatory entities that offer a certification program tend to “have more extensive monitoring and sanctioning mechanisms” than those that only mandate adoption of a code of ethics, thus strengthening the level of credibility (p. 712).

More research should be done to determine the impact such programs have on actual changes in ethical practices within organizations as opposed to changes in reporting. In one study, Szper (2012) investigated how nonprofit financial reporting on the Form 990 changed from 2004-2008, the time period during which Charity Navigator began publicizing its ratings. Szper (2012) hypothesized that financial data (such as fundraising expenses) would begin to be reported at more favorable levels as a response to Charity Navigator ratings. Reporting did change, but a case for causation was not supported. The time period was the same in which significant attention was directed to the nonprofit sector with greater demands for accountability, and this may have driven the changes. In addition, concerns have been raised about whether the benchmarks chosen by watchdog groups are appropriate; specifically, they may “overemphasize financial efficiency... [over] program effectiveness” (Lowell, Trelstad, & Meehan, 2005, p. 40).

Together, the existing research related to advancing nonprofit ethics and accountability begins to point sector leaders—both of individual organizations as well as sector-wide associations—in directions where their work may have the greatest impact. The intent of this study is, in part, to leverage this body of

research into practical guidance that will help nonprofit practitioners achieve discernable improvements within their organizations. Table 2 provides a summary of these findings.

TABLE 2
EFFECTIVENESS OF NONPROFIT SECTOR SELF-REGULATION PROGRAMS

| Authors | Key Results |
|---|---|
| Accreditation Programs | |
| Carman & Fredericks (2013) | The process of preparing for accreditation is instrumental in helping organizations achieve a higher level of ethical practice. Organizations may pursue accreditation due to funder requirements or expectations, anticipated improvements to the organization, and the influence of a key staff member who serves as a champion for accreditation. |
| Lee (2014) | Nonprofit leaders may use the pursuit of accreditation as a rationale for the organization to become more professional and adopt improvements. Organizations may pursue accreditation due to a desire to keep pace with similar organizations in the field, to meet regulatory or external requirements, to make improvements, and to position themselves as “one of the best.” |
| Feng, Neely & Slatten (2016) | Donor perception of an organization improves as a result of accreditation. |
| Slatten, Guidry & Austin (2011) | Donors expect NPOs to use contributions effectively. Accreditation provides external validation for this which improves donor perception. |
| Barriers to Accreditation | |
| Carman & Fredericks (2013) | The most frequently cited challenges associated with undergoing accreditation include lack of capacity in terms of infrastructure, time, financial resources needed to participate. |
| Tremblay-Boire, Prakash & Gugerty (2016) | The growing number of accreditation programs may actually make it more difficult for stakeholders to recognize credibility signals. Some programs have more rigorous requirements than others, and stakeholder confusion about these programs may weaken the resulting signals of credibility. |
| Lee (2014) | The ability of accreditation programs to differentiate among stronger and weaker nonprofits may be diminished when the market is saturated with multiple accreditation programs. The motivation to participate may shift from the desire to be one of the best, to a desire to keep pace with peers. |
| Voluntary Guidelines and Codes of Ethics | |
| Bromley & Orchard (2015) | 24 of 45 state nonprofit associations, and many national nonprofit associations, have adopted voluntary codes of ethics intended to help prevent fraud and promote accountability. Their adoption may be a response to stakeholder demands for accountability and a reflection of broader cultural influences. |
| Lee (2016) | Past research shows no correlation between higher numbers of legal violations and an organization’s lack of ethics policies. |

| Authors | Key Results |
|--|---|
| Holder-Webb & Cohen (as cited in Lee) (2016) | The efficacy of voluntary guidelines appears to be improved when such guidelines can be adapted and customized to fit an organization's unique circumstances. |
| Feldheim & Wang (2002) | Organizations can promote an "ethical climate" by adopting multiple ethics-related strategies together, such as a code of ethics, a process to enforce ethical expectations, and modeling of ethical behaviors. |
| Schwartz (2013) | Ethical values should create the foundation upon which an ethics program (consisting of a code of ethics, training, and monitoring) is developed, and that program should be actively supported by managers, leaders, and the board. |
| Charity Watchdog Programs | |
| Gugerty (2009) | Charity watchdog programs are developed "as a response to imperfections in the market for nonprofit accountability" consisting of unequal access to accountability data between organizations and their stakeholders. Programs with more rigorous verification processes result in greater stakeholder recognition of the organization's credibility. |
| Lowell, Trelstad & Meehan (2005) | Concerns have been raised about whether the benchmarks chosen by watchdog groups are appropriate, or if they might "overemphasize financial efficiency over program effectiveness." |
| Szper (2012) | Charity watchdog programs allow stakeholders to make comparisons between organizations, or over time, based on explicit criteria. |
| Tremblay-Boire, Prakash & Gugerty (2016) | Self-regulatory, watchdog entities that offer a certification program tend "to have more extensive monitoring and sanctioning mechanisms" than those that only mandate adoption of a code of ethics. |

OPPORTUNITIES FOR FUTURE RESEARCH

There are significant gaps in the literature. First, a link has yet to be established between ethics and accountability and organizational effectiveness. Second, what is the connection between policy implementation and behavior change? Does the approval of new policies result in observable changes in behavior? Also, how do accreditation programs serve to improve ethics and accountability? Is preparing for accreditation or otherwise paying attention to infrastructure as important (or more important) than the accreditation status that results? The answers to these questions may influence how the sector approaches this work in the future. For example, gaining a better understanding of the links between policy implementation, training, and actual behavior change can help NPOs ensure that they do not stop at policy approval—rather, that they support those new policies in ways that affect real change in the organization. Similarly, understanding why, and to what extent, accreditation programs work will help ensure that resources—both at the organizational level and the sector level—are channeled into self-regulation methods that are most effective. Further, identifying the factors that influence organizations to undergo accreditation to begin with, or to become reaccredited, also has the potential to inform decision-making about how best to engage the sector in such programs.

Other gaps include understanding the motivating factors for organizations to invest in ethics and accountability efforts more generally and identifying the different types of resources and support they need to do it. Do the strategies differ for large and small organizations? How can small organizations with limited staff be supported? What role do funders have—or could have—in supporting this work? And equally important, how can large organizations—who have greater risks and greater impacts on the integrity of the sector as a whole—be motivated to pay attention to ethics and accountability work?

Research that identifies factors that motivate NPOs to participate in ethics and accountability work may help funders, leaders, and others in the sector develop training and resource materials that emphasize these factors, leading to higher levels of engagement. Learning more about the implications of this work at both staff and board will also be instrumental in moving this work forward. At the staff level, there must be the commitment to engage in ethics and accountability work, invest time and energy in developing and implementing policies and strategies, and engage in continuous improvement work—all of which result in significant culture change. At the board level, directors must be willing to prioritize ethics and accountability and allocate needed budget funds to provide training or other resources, pay fees for accreditation or other programs, or contract with a consultant to help support the organization in this work.

Finally, longitudinal research should examine whether changes related to ethics and accountability are maintained over time. Is the benefit greatest during the time the organization is actively involved in work to enhance policies and accountability? What types of organizations undergo accreditation and how often? Do these organizations see value in becoming re-accredited after the initial accreditation period expires? How can organizations create cultures of ethical conduct that are maintained over time? Research in this area might include studies of organizations who have experienced widescale misuse of funds and the negative publicity that follows. Identifying what happened within these organizations prior to the scandal—and after—would provide important lessons about organizational risks and how best to mitigate them. Similarly, longitudinal studies about training could provide important information about the most effective ways to support the sector’s work in strengthening ethics and accountability. For example, such research might support the idea of certifying individuals as nonprofit ethics leaders, and then promoting this certification as a qualification hiring committees should look for when appointing new CEOs. As these leaders move from organization to organization throughout their careers, they would promulgate that knowledge. Research could also help identify other practical strategies that lead to real and sustainable change.

The existing literature leaves more questions than answers, signaling important opportunities for future research. Table 3 summarizes key areas of research that, once completed, could be translated into action at both the organizational and sector-wide levels.

**TABLE 3
OPPORTUNITIES FOR FUTURE RESEARCH**

| Opportunities for Future Research |
|---|
| Establish if a link exists between ethics and accountability and organizational effectiveness. |
| Identify what connections exist between policy implementation and observable behavior change. |
| Investigate how, or if, accreditation programs serve to improve ethics and accountability, and establish whether preparing for accreditation is as important, or more important, than the accreditation status that results. |
| Identify the factors that influence organizations to undergo accreditation or to become re-accredited. |
| Establish whether preparing for accreditation is as important, or more important, than the accreditation status that results. |
| Examine differences in outcomes, if any, between sector-wide nonprofit accreditation programs, and segment-driven accreditation programs. |
| Identify and better understand the motivating factors for organizations to invest in ethics work, and investigate whether these factors differ for varying sizes, types, and geographic locations (including rural vs. urban locations) of organizations. |
| Examine the implications that engaging in ethics and accountability work has at both the staff and board levels, including culture change, budgeting decisions, and other resource allocation decisions. |
| Conduct longitudinal research to examine whether positive changes related to ethics and accountability are maintained over time, and identify what factors may support such maintenance. |

CONCLUSION

In this review, we have provided an overview of the research available on self-regulatory mechanisms to advance nonprofit ethics and accountability. This research includes voluntary adoption of SOX provisions, as well as sector and organization initiatives including accreditation programs, voluntary guidelines and principles, and charity watchdog groups.

There are numerous directions the research could take going forward. Establishing a link between ethics and accountability and organizational effectiveness would be instrumental in creating motivation for organizations to engage in work to strengthen accountability. Identifying the mechanisms that translate policies into changes in behavior would allow NPO leaders to support new policies in the most influential ways. Conducting longitudinal research could identify factors that lead to organizations that maintain high levels of accountability and ethics over the long term and help other organizations follow suit. In short, there are significant opportunities for additional research that can help drive actual change within the sector as it works to become more ethical, transparent, and accountable to its stakeholders.

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