

ANALYSING NGOS' ACCOUNTING AND CULTURAL PRAXIS: A FIRST CROSS-NATIONAL READING OF MÉDECINS SANS FRONTIÈRES'S REPORTING

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ABSTRACT

This paper, referring to the NGO Médecins Sans Frontières, analyses its system of reporting by comparing direct reports produced by the international headquarters with some reports of the national branches in Europe. This work tries to assess the readability from an international and transnational perspective. It aims to see if the report is readable by all donors and highlights the transnational connections construed between the individual national offices. The paper tries to verify whether the social values of single European nations are reflected in the national reports of MSF and produce some differences in the ways the annual reports are written and presented.

INTRODUCTION

The harmonization of NGOs' reporting is a basic prerequisite for the reading of the annual reports of those entities that are operating in different countries on the European continent. A model of accountability for Nonprofit organization's (NPOs)

would allow the comparison of results at a continental level and assessment in terms of performance. However, as Jegers (Jegers, 2001) noted, the landscape of the social economy is very heterogeneous, not only in the types of companies and industrial sectors, but also in the relationship with civil society and especially in accounting reporting practices, so the harmonization of reporting is a very tricky business.

A comparison of the information requested by the various European national laws on reporting for non-profit entities has been largely attempted (Chitty & Morgan, 2001; Torres & Pina, 2003; C Travaglini, 2008; Claudio Travaglini, Supino, & Perdomo, 2006), and the results can be summarized as follows:

1. All models include a number of pages, which collect the same information: the income statement and balance sheet;
2. The current reports are the result of a different focus from the world of the third sector. Nations like the United Kingdom, which have a centuries-old tradition for these issues, have developed more comprehensive and complex models of reporting;
3. The quantity and quality of voluntary information, contained in the narrative part of the reports, are essentially related to a specific stakeholder. If the reports are designed to give information regarding the performance of operations for calculating tax, the additional information is very limited. If the report primarily aims to inform the donors or investors, the amount of information is voluntarily considerably higher.

The evidence referred to in paragraph one may be explained by the idea that only a few European states have specific legislation on NPO reporting and, in most cases where there is a specific law on that topic, it requires a copy of the report for profit entities.

The evidence in points two and three is explained through the correlation between the local culture and the influence that it has on the values (Hofstede, 1984; Hofstede, Neuijen, Ohayv, & Sanders, 1990; Mathews & Reynolds, 2001).

Hofstede believes that, as software can only work while respecting the set of rules and information required by the operating system, the same applies in that the carrying amounts and the accounting system must comply with the rule set given by the company.

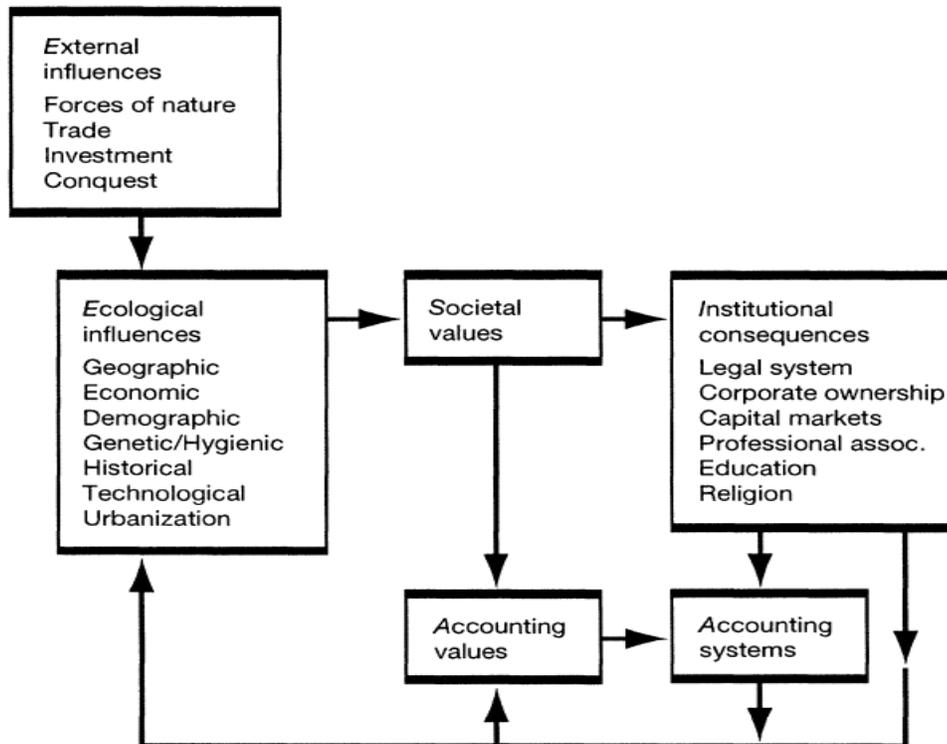


Figure 1 Source Hofstede (1980)

In this regard, Gray¹ notes:

Societal values are determined by ecological influences modified by external factors. ... In turn, societal values have institutional consequences in the form of the legal system, political system, nature of capital markets, patterns of corporate ownership and so on ... the value systems of attitudes of accountants may be expected to be related to and derived from societal values with special reference to work related values. Accounting 'values' will in turn impact on accounting systems.

Following these authors, a substantial failure occurs in the transnational reading of annual reports of NPOs, because these reports are the product of the different models of social values that influence in uniform amounts.

The contributions highlight the necessity for common social values on which to set the accounting system. By focusing only on the European continent, one can track a

¹ (S. J. Gray, 1988)

variety of shades that move between the two extremes of the social system: open to high transparency, and closed with a marked predominantly mandatory reporting.²

At the general level, a comparative reading with uniform results is not possible among European not-for-profit entities, but an attempt can be made by reducing the focus and concentrating on a single NPO, which has the following characteristics:

- A presence of more European countries, so that we can make a transnational reading;
- A presence of strong coordination, even in value terms, not only operational, so as to reduce the impact that social values may have on individual national reports;
- A strong inclusion in its act of international human values, values generally recognized as such anywhere in the world (aid for the sick, support for children in trouble ...), with the goal in this case of reducing the information asymmetries arising from local culture.

These features can be found expressed only in a specific type of NPO: non-governmental organizations, institutions that have as their mission international cooperation and humanitarian aid.

² Gray's accounting values were represented and defined as follows:

- Professionalism versus Statutory Control – a preference for the exercise of individual professional judgement and the maintenance of professional self-regulation as opposed to compliance with prescriptive legal requirements and statutory control.
- Uniformity versus Flexibility – a preference for the enforcement of uniform accounting practices between companies and the consistent use of such practices over time as opposed to flexibility in accordance with the perceived circumstances of individual companies.
- Conservatism versus Optimism – a preference for a cautious approach to measurement so as to cope with the uncertainty of future events as opposed to a more optimistic, laissez-faire, risk-taking approach.
- Secrecy versus Transparency – a preference for confidentiality and the restriction of disclosure of information about the business only to those who are closely involved with its management and financing as opposed to a more transparent open and publicly accountable approach.

These accounting values, in turn, are linked to Hofstede's cultural constructs of Individualism, Uncertainty Avoidance, Power Distance and Masculinity, by a diagrammatic model and four hypotheses. Gray's hypotheses are:

- H1 The higher a country ranks in terms of individualism and the lower it ranks in terms of uncertainty avoidance and power distance then the more likely it is to rank highly in terms of professionalism.
- H2 The higher a country ranks in terms of uncertainty avoidance and power distance and the lower it ranks in terms of individualism then the more likely it is to rank highly in terms of uniformity.
- H3 The higher a country ranks in terms of uncertainty avoidance and the lower it ranks in terms of individualism and masculinity then the more likely it is to rank highly in terms of conservatism.
- H4 The higher a country ranks in terms of uncertainty avoidance and power distance and the lower it ranks in terms of individualism and masculinity then the more likely it is to rank highly in terms of secrecy.

There are various definitions of NGO in the literature (Bendell, 2000; Edwards, 2000; Teegen, Doh, & Vachani, 2004), but certainly the one that makes the best work of these companies is the description given by the United Nations ():

any non-profit, voluntary citizens' group which is organized on a local, national or international level. Task-orientated and driven by people with a common interest, NGOs perform a variety of services and humanitarian functions, bring citizens' concerns to Governments, monitor policies and encourage political participation at the community level. They provide analysis and expertise, serve as early warning mechanisms and help monitor and implement international agreements. Some are organized around specific issues, such as human rights, the environment or health.

READING ANNUAL REPORTS OF MÉDECINS SANS FRONTIÈRES

Médecins Sans Frontières (MSF) is the largest medical humanitarian organization in the world, created by doctors and journalists in France in 1971. MSF provides independent and impartial assistance to those who are in conditions of great need. MSF also reserves the right to bring forgotten crises to the attention of the public, to challenge inadequacies or abuse in the system of aid, and publicly to support a better quality of care and medical protocols. MSF is an international movement formed by an international office in Geneva and nineteen sections.³

The comparison took into consideration the annual report produced in 2007 by MSF International and by five sisters: MSF France, MSF Germany, Italy MSF, MSF Spain, and MSF UK–Ireland. The choice of location of the sisters was not random. The locations selected are those that have a more complex national system of social values, but also a more developed national accounting system for NPOs. The reports were found through the websites of the NGOs and have been evaluated in their entirety through the

³ The national branches of MSF are Australia, Austria, Belgium, Canada, Denmark, France, Germany, Greece, Holland, Hong Kong, Italy, Japan, Luxembourg, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Each section is a response to a board of directors elected by its members at a general meeting held annually. In addition, some sections of the partners manage the projects on the ground, on behalf of one of the sections in place.

comparison of the information contained therein. All the reports⁴ have a structural organization with a similar split between:

- The presentation of results through required accounting summary prospectuses (financial statement, balance sheet, note on management)
- The presentation of supplementary information, such as indices of performance, composition of the workforce, compensation of directors, and use and destination of donations.

The representation of the required financial statements provides a range of information fairly comparable to each another, even if appropriate distinctions are needed on the training of these results and differences arising from the accounting system and the national legal system .

The quantity and quality of the voluntary information determine the degree of information transparency⁵ to the recipient of the document, and qualify and identify a lack of information results in a voluntary guide to the civil authority with control; a wider voluntary reporting leads to a broad spectrum of corporate stakeholders.

However, the increase in voluntary information disclosure and high transparency, as several authors have noted (Edwards, 2000; R. Gray, Bebbington, & Collison, 2006), are often correlated with the need to legitimize⁶ their work, which is necessary for the continuing support from civil society through the donation of funds.

The comparison clearly shows a general difference between the informative report produced by the various partners and the international headquarters and within the documents of the premises a substantial difference in the three reports of the United Kingdom and those of other continental subsidiaries.

⁴ First, NGOs are typically service organizations and those who control and fund the organization (managers and donors) may well be quite distinct from those who receive/benefit from the service (the client or beneficiary). There is typically no direct means by which the clients/beneficiaries can enforce accountability upon the donors and managers. If, in addition (as is often the case), the NGO is not a membership-based organization, there is a clear absence of direct, obvious groups to whom the body must express its accountability, (Uphoff, 1996) . Second, NGOs (as NFPOs), have no simple ‘bottom line’ equivalent to the profit/loss measure of commercial organizations (Perrin, 1985).

⁵ Civil society requires a careful balance between rights and responsibilities; between the entitlement of individuals to come together to pursue their own and the wider community’s interests, and the right of society at large to have reasonable reassurance that such organizations are what they say they are, and in particular that they are not covertly abusing their position in ways that go beyond the legitimate exercise of individual freedom (Fries, 2003).

⁶ [i]t is no accident that questions about legitimacy are being raised at a time when NGOs have started to gain real influence ... They are victims of their own success. Neither is there a shortage of hypocrisy among the critics, especially when it appears that NGOs are being singled out in contrast to businesses (and even many governments) that are even less accountable than they are (Edwards, 2000).

The reports differ substantially among themselves in the quantity and quality of accounting information. In states like the UK, accountability to donors/lenders is shown to a great extent in the report by a clear representation of the entity, the source of funding of public spending, the areas of funding, and funding provided and received from home and from international partners.

	UK	SPAIN	ITALY	FRANCE	GERMANY	MSF INTERNATIONAL
Fundraising Activities						
Key performance indicators		NO	NO		NO	NO
Expenditure covered by regular gift	YES			YES		
Cost of raising	YES			YES		
Reserve policy	YES	NO	NO			NO
Accounting data						
Income resources						
Donation	YES	YES	YES	YES	YES	YES
Grant for operational programmes	YES	YES	NO	YES	YES	YES
Activities for generating funds	YES	YES	NO		NO	YES
Investment income	YES		NO		YES	YES
Resources expended						
Costs of generating voluntary income	YES	YES	YES	YES	NO	YES
Operational programmes	YES	YES	NO	YES	YES	YES
Charitable activities	YES	NO	NO	NO	NO	YES
Investment expenditure	YES	NO	NO	NO	NO	YES
More about income and expenditure						
Donations	YES	YES	YES	YES	NO	YES
Programmes	YES	YES	YES	YES	YES	YES
Activities	YES	YES	YES	YES	YES	YES

More details

Credits and debits	YES	YES	YES	NO	NO	YES
Bank accounts	NO	YES	YES	NO	NO	YES
Foreign bank accounts	NO	YES	NO	NO	NO	NO
Money transferred between MSF organizations	YES	YES	YES	YES	NO	NO
Governance costs	YES	YES		YES	NO	YES

Employees

Gender report	NO	NO	NO	YES	NO	NO
Staff figures	NO	YES	YES	YES	NO	YES
Staff costs	NO	YES	NO	YES	NO	YES
Board costs	NO	NO	NO	NO	NO	YES

Table 1 Some evidence from the analysis

In countries such as Italy or Germany, where the pressure evaluation and control is better entrusted to the state rather than to individual donors/funders, the volunteers are mainly oriented to justifying and validating the information contained in the prospectus summary.

Fundamentally different is the report of the international headquarters. The international headquarters's report aims to disclose the activities with legitimate purposes, in evocation of the results obtained by the organization and its need to continue to work as a principal of the community.

The results obtained after exposure allow us to say that a superficial comparison of the data is not possible, because the present information is not uniform, although we would expect that there to be greater internal coordination in the management of information. In this regard, it highlights the case of transfers between different locations, and proposes for example the value of transfers, but not how to record it, leaving unresolved questions relating to international tax issues.

The relationship between the NGO and the local society seems to be once again the core of the problem. Society influences the values and the accounting system in the same way, even if there is strong internal coordination at the international level within the NGO; however, to legitimize their work, the local office must use the channels of communication expressed by the accounting company, which would partly mean the coordination and harmonization with other locations, coordination that is present naturally at home in the NGO, but not externally.

However, although the comparability of the information is limited, the report in general is so transparent that the activities of NGOs respond to the minimum level of information that donors/funders want.

CONCLUSIONS

The relationship between society and its collective value systems is very strong; it has substantially all of the forms of coordination with the NGO with a strong international vocation as a solid foundation of universally recognized values.

This is mainly due to a virtuous circle in the centre where there is the local civil society. NGOs have the legitimacy needed by the local civil society. The local civil society, to legitimize, requires information on management; in turn, civil society and its values influence the national accounts. The NGO must therefore adapt to the local level

with the forms of communication required for accounting. This circularity means that a voluntary harmonization of accounting information between nations is no longer possible, and if a supranational body is to define a common model of reporting, it should define a minimal content, leaving room for voluntary reporting methods for each separate country.

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