

# Performance management of big societal projects: social accountability and audit

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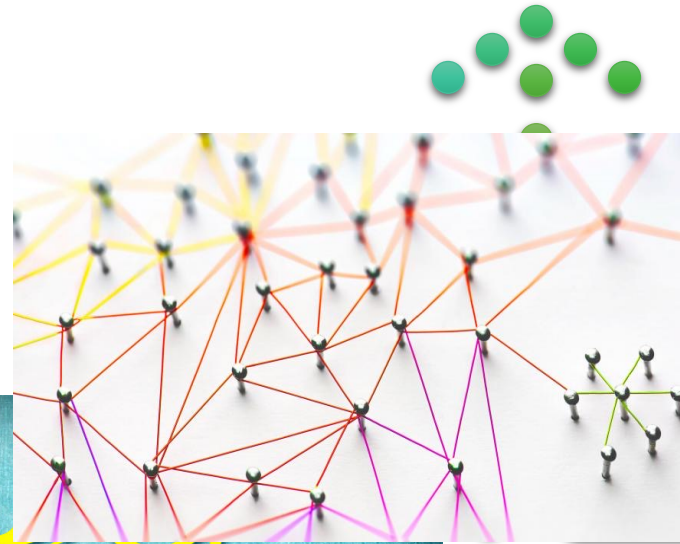
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# Content of the lecture

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# 1. Introduction: Shifts of public sector agendas



**New Public Governance**



**New Public Management**



**Public Administration**



## 2. Changing understanding of accountability

# Public sector reforms agendas and accountability

Reform agendas <sup>1</sup>	Dominating period <sup>2</sup>	Main idea	Control of <sup>3</sup>	Accountability	Geographical origin <sup>4</sup>
Public Administration	late XIX century - early 1980's	Fixed hierarchies, defined public-private margin, dominating role of government (Weber, 1946)	Inputs	<b>Hierarchical accountability</b> (public administrators responsible to elected political leaders)	Europe and further global variations
New Public Management	1980's- 1990's	Efficiency, competition, less state (Hood, 1991)	Outputs	<b>Contractual accountability</b> (public managers are accountable for their performance (e.g., principle-agent relations))	Anglo-American, Australasian, (some) Scandinavian countries
New Public Governance	1990's- 2000's	Networks of public and private actors (Koppenjan and Klijn, 2004), horizontal modes of control (Pollitt and Bouckaert, 2017)	Impacts	<b>Social/ democratic accountability</b> (multifaceted- public servants guided by professional norms, social values and diverse stakeholders' interests)	OECD countries (majority)

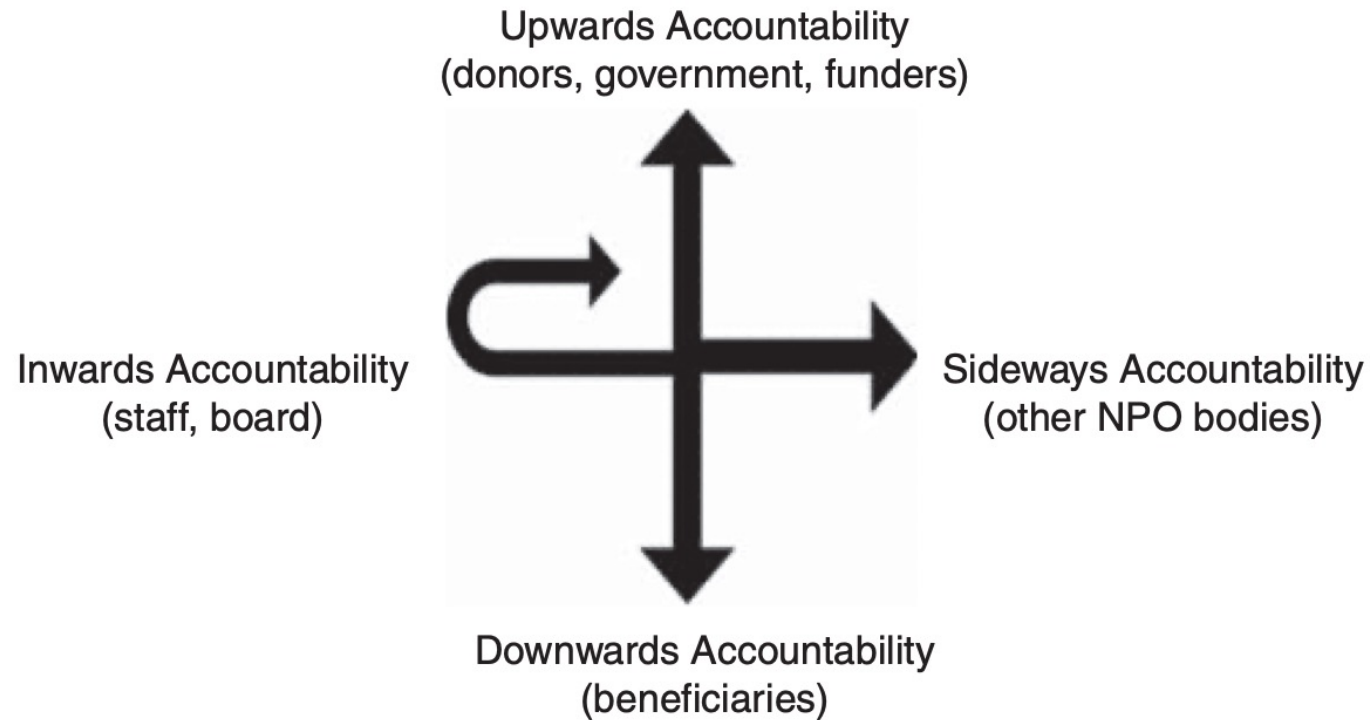
<sup>1</sup> Based on Hyndman and Liguori (2016); Pollitt and Bouckaert (2017)

<sup>2</sup> Based on Drechsler and Randma-Liiv (2014); Hyndman and Liguori (2016)

<sup>3</sup> Based on Hyndman and Liguori (2016)

<sup>4</sup> Based on Osborne (2010), Drechsler and Randma-Liiv (2014) and Torfing and Triantafillou (2013); Robinson (2015)

# Accountability directions



Based on: Kingston, K., Furneaux, C., de Zwaan, L., & Alderman, L. (2020). From monologic to dialogic: Accountability of non-profit organizations on beneficiaries terms. *Accounting, Auditing and Accountability Journal*, 33(2), 447–471.

# Big Societal Projects

Big Idea  
Socially driven



Change agents  
& Co.



Social impact  
measurement



# 3. Social Audit

# Social Audit: evolution of the concept (1)

- “Social audit” has long history – back to 1940’s in the USA.

Initially was linked to corporate social responsibility and was the first attempt to measure and apprise social performance of **business**.

- **No commonly agreed definition!**

Especially for public sector: social audit, social accountability, voice and accountability, or social control often used interchangeably (Baltazar and Sepúlveda, 2015).

E.g., social audit is an evaluation of organizational performance and actions and measurement of an organization’s societal effects (Zu, 2013).

*Even though vagueness in defining social audit was more common during the early conceptualizations of the term (Humble, 1973), still other concepts can be used as synonyms to social audit.*



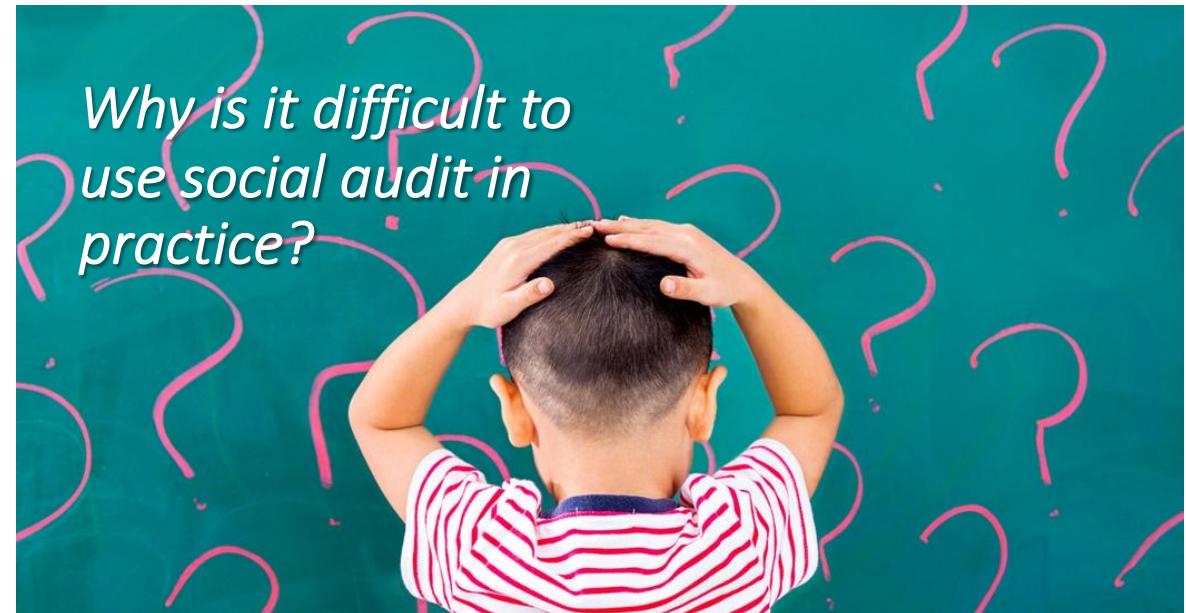
# Social Audit: evolution of the concept (2)

- With time, social audit in public sector evolved and become linked with such concepts as trust, collaborative relations, democracy and stakeholder evaluation and accountability.
- Currently, social audit includes following characteristics (Sathiabama, 2018; Cotton et al., 2000; Humphrey and Owen, 2000):
  - focus mainly on the evaluation of non-financial goals through continuous systematic monitoring by engaging voices of stakeholders and maintaining openness;
  - a democratic governance tool that measures, reports and ultimately improves an organization's social and ethical performance;
  - deals mostly with intangible and qualitative issues, e.g. labour conditions, human rights, ethical rights, social protection or transparency;
  - enables determination whether an organization meets its social obligations that include environmental and social responsibilities.
- Still, a lack of systematic knowledge about variation of social audit's use!



# Social Audit: as a practice

- Participatory democracy tool
- Micro accountability mechanism of multiple stakeholder engagement (Chawla, 2020).
- Varied methodology used in multiple sectors and countries:  
Business, public services (e.g., healthcare, infrastructure), international projects  
US, UK, India, Pakistan, Latin America
- International organizations applying social audit practice:  
The International Budget Partnership  
<https://www.internationalbudget.org/>  
the INTOSAI Capacity Building Committee  
<https://www.intosaicbc.org/>



# Social vs Traditional (i.e. financial) Audit

	Characteristics	Financial audit	Social audit
<b>Motivation</b>	Necessity	Compulsory	Voluntary
	Standards	Specific standards must be adhered	No agreed standards
<b>Actors</b>	Beneficiaries	Hierarchies of public organizations	A broad range of stakeholders
	Interests	Public money are legally and wisely spent	Achievement of best possible results within defined constraints
<b>Process</b>	Methods/Data	Quantitative	Quantitative and Qualitative
<b>Results</b>	Type of auditing opinion	Specific and well-structured	No unified set of guidelines
	Measurement / assessment	Outputs	Impact



*“In the broadest sense, **the social audit** is being used by society – or a group within society – to hold the entity to account whether it likes it or not [...].*

*It is therefore an essentially democratic activity, even if the body undertaking the action is not itself an elected body.”*

Gray (2001, p. 9)

# Social Audit in big societal projects: what?

**Social audit** is a system for developing, measuring, assessing, and reporting the **impact** of a project on the society and public welfare as well as **effectiveness** of independent activities/programs that allows evaluation of a project's results by **stakeholders** or beneficiaries.



“**audit**” determines *how* the evaluation process is to be conducted similar to a traditional audit.

“**social**” focusses on *for whom* by directly involving the stakeholders to enhance local democracy and engagement.



# Social Audit in big societal projects: how? (1)

## Key areas of focus:

1. Performance indicators developed based on the **Theory of Change**
2. Coherence between each **outputs, outcomes** and overall **impact**
3. Comprehensive **risk management**



# Social Audit in big societal projects: how? (2)



## Internal control system

Internal control is an important tool in ensuring the accomplishment of goals and objectives; compliance; reliable financial reporting.

E.g. COSO framework for internal control (Committee of Sponsoring Organizations). 5 principles: risk assessment, control activities, information and communication, control environment and monitoring activities



# Social Audit in big societal projects: how? (3)

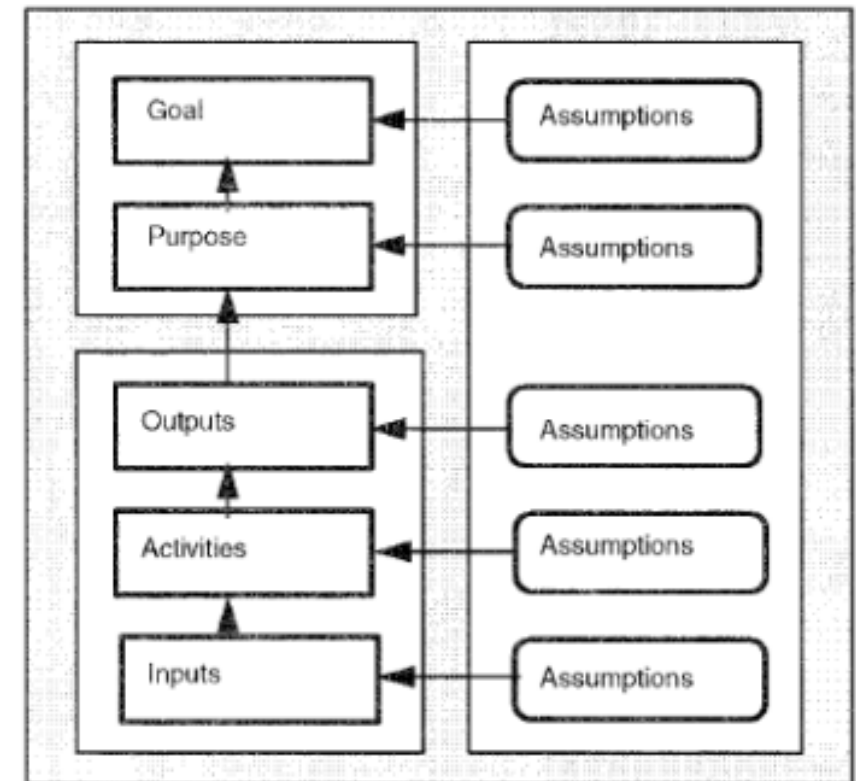
## Results framework

- The Logical Framework Analysis (LFA) is based on causal links of the project events: using the inputs, the activities will be produced, which will result in achieving the outputs. In this way, **LFA becomes a manifestation of ToC through indicators**
- Provides better basis for systematic monitoring and analysis of the effects of projects.

It is important to set measurements to assess the extent to which the outcomes can be achieved.

For social audit LFA is significant because:

- (1) it ensures rigid selection of indicators to evaluate delivery of professional and social adaptation services,
- (2) it allows engaging stakeholders through discussions and testing the feasibility of indicators.







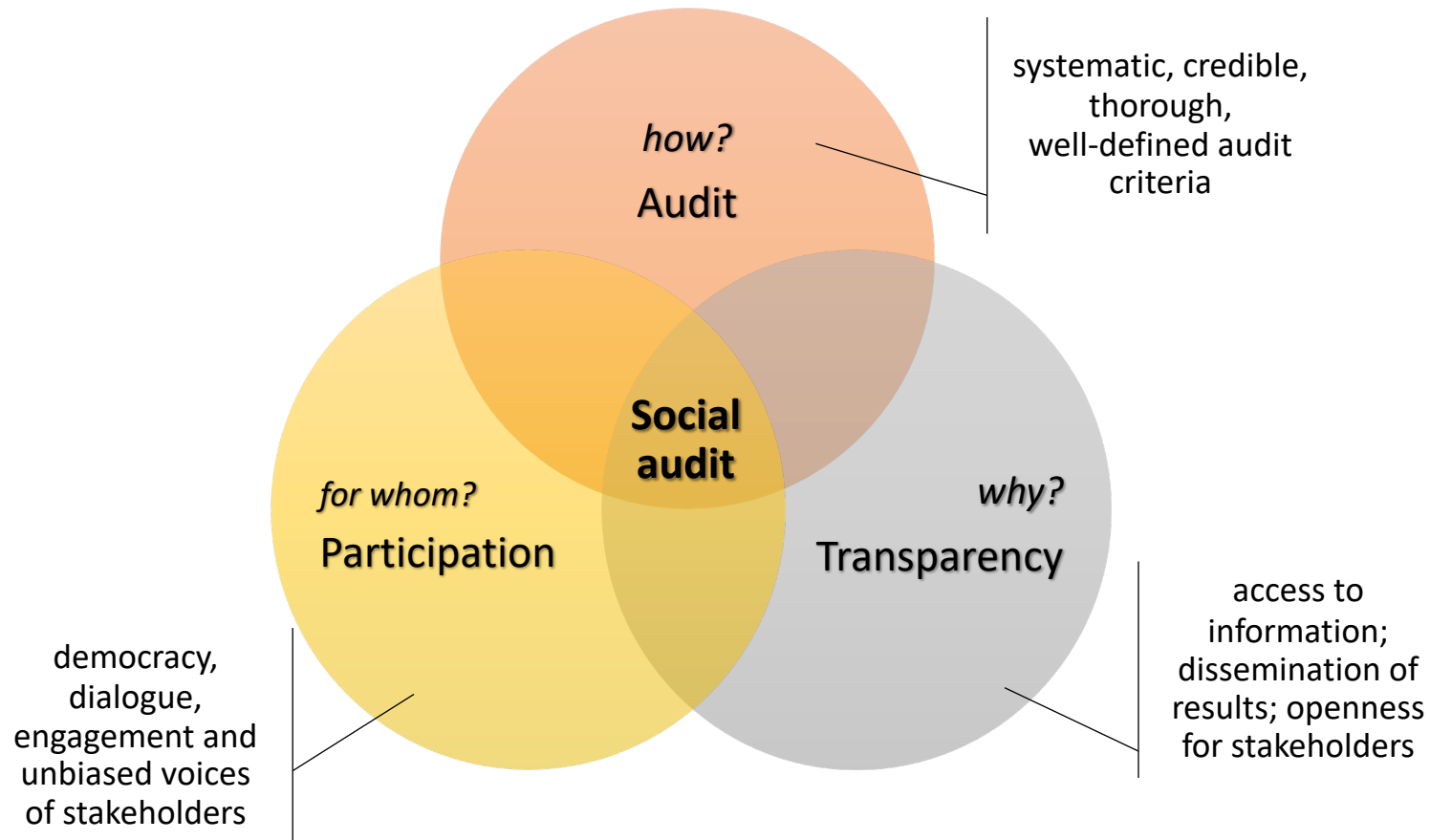
# Social Audit in big societal projects: why?

## Reasons:

Ensuring democratic accountability to stimulate stakeholders' engagement by means of proactive horizontal systems (Ackerman, 2012). Performed via transparent and participative practices.



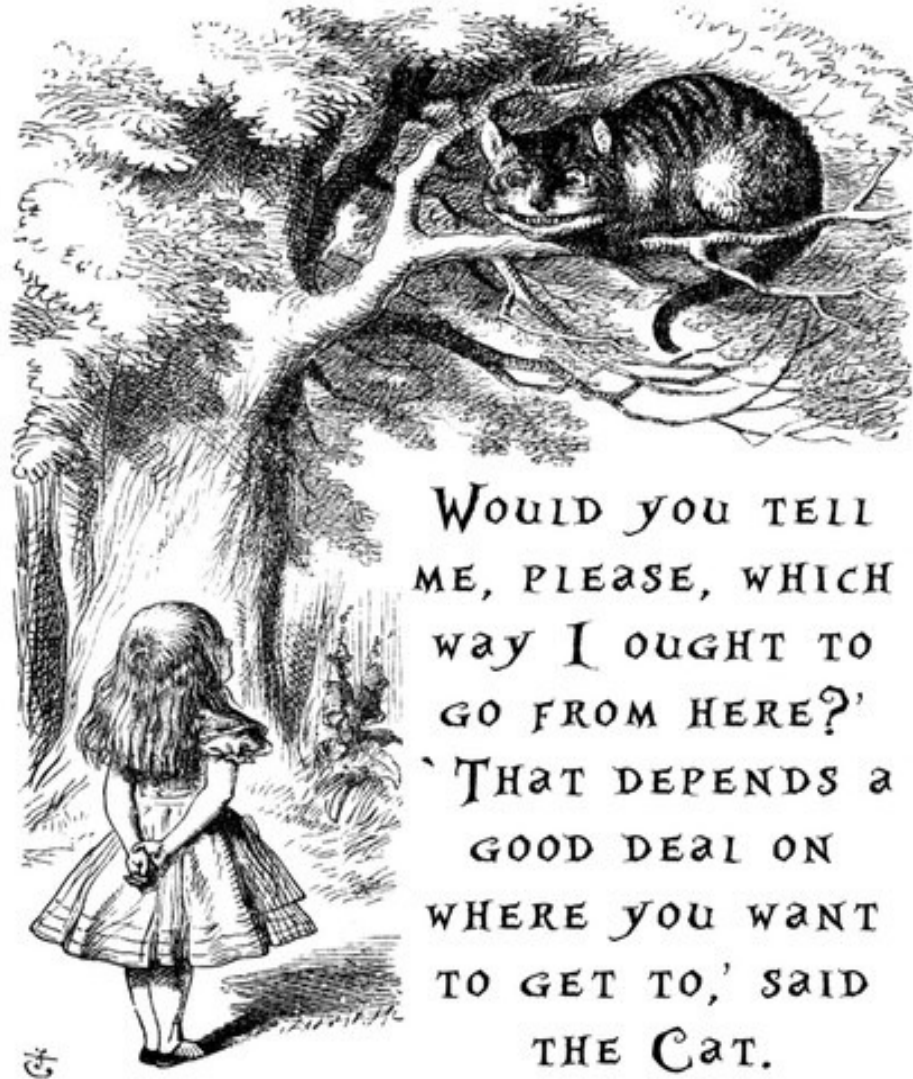
# Conceptual elements of social audit



Social audit as a combination of 3 important elements:  
audit, participation, transparency

## 4. Theory of Change (ToC)

# Theory of Change (1)

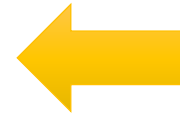
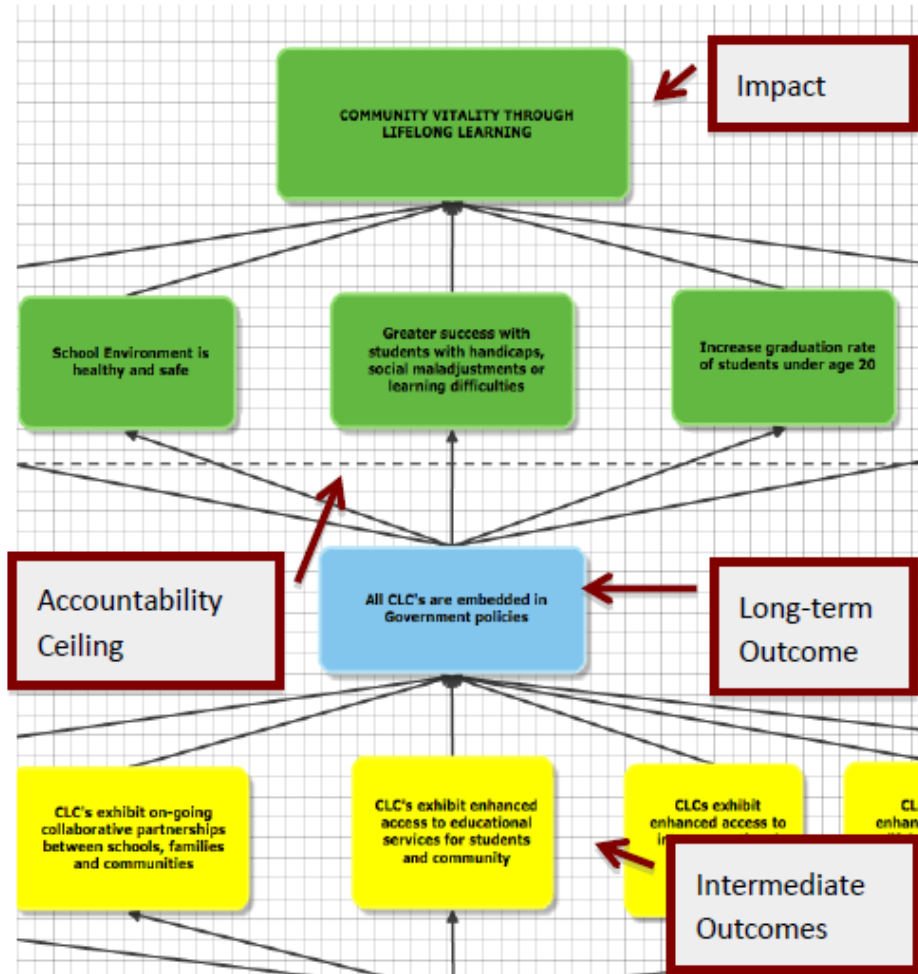


WOULD YOU TELL  
ME, PLEASE, WHICH  
WAY I OUGHT TO  
GO FROM HERE?  
'THAT DEPENDS A  
GOOD DEAL ON  
WHERE YOU WANT  
TO GET TO,' SAID  
THE CAT.

ToC is used as a conceptual framework to explain how and why the initiative will change the world (Clark, 2019; Clark and Grimaldi, 2013).

Lewis Carroll  
"Alice in Wonderland"

# Theory of Change (2)



ToC is an illustration of causal pathways between multileveled outcomes.

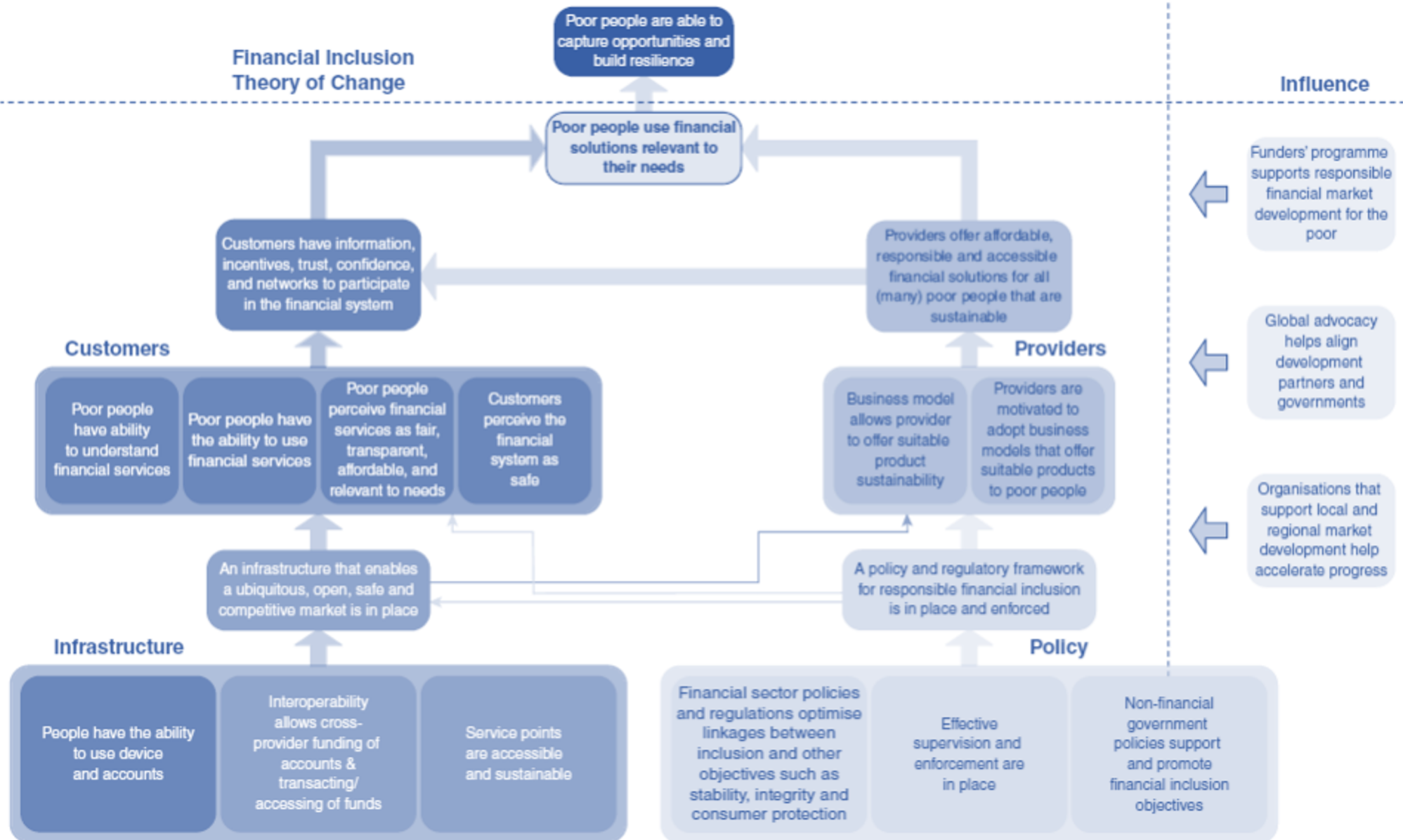
Creating a ToC requires: *forethought, participation and transparency.* (Clark and Collins, 2013)

ToC is a participatory process (i.e., require *stakeholder engagement*) (Clark, 2019)

Illustration should be followed by explanation report/narrative



# Theory of Change (3): Visual example





# Theory of Change: components (Vogel, 2012; Clark, 2019; Taplin et al., 2013)

1. **Output:** results obtained through project activities.
2. **Outcome:** a change in condition of a policy, system, behaviour, knowledge or attitude among people, intentions or organizations.
3. **Impact** (or ultimate goal/outcome): is an outcome which is not possible to measure.
4. **Accountability ceiling:** a dashed horizontal line, which divides outcomes pathway. The outcomes below the accountability ceiling are the ones for which an organization is accountable.
5. **Indicators:** is measurable and observable information which allows to monitor the achievement of outcomes; they can also indicate “weak spots”, where problems with implementing the change can be experienced.
6. **Context:** an environment in which a change initiative is unfolding (including social, political and environmental conditions, and stakeholder configurations, all of which can affect the change).
7. **Pathway:** a logical set of outcomes, which follows in a chronological order.
8. **Rationale:** explanation of a connection logic between several outcomes in a pathway.
9. **Assumption:** critical reflection on the change process build on underlying hypotheses about how the identified changes could happen.
10. **Outcomes framework:** a graphical representation of all pathways put together in ToC.

# Theory of Change: purpose & use

ToC can begin at any stage before, during and after the lifetime of an initiative/project, depending on the intended use.

ToC is developed to

- Evaluate existing initiatives
- Conceptualize and/or plan new initiatives
- Analyse and possibly change running initiatives or their elements (goals, assumptions, and/or activities).

Can be used: retrospectively or prospectively



# Theory of Change for Social Audit

- A good ToC is rigorous and thorough (includes all the components presented in a complete and logical way).
- Retrospective link (process of learning about what has worked and why, in order to understand the past and to plan for the future)
- Prospective link (developing ToC, then when monitoring and evaluation data is available, stakeholders can refine the ToC based on evidence)
- Every outcome in a ToC needs to be demonstrated via indicators (i.e., measurable and observable information monitor the achievement of outcomes and can show quickly where trouble may be encountered). An indicator may be quantitative (e.g. number of new jobs created) or qualitative (a description of new knowledge or attitudes).
- Stakeholders' engagement is important.

# 5. Stakeholders

# Stakeholders: changing role

Gray (2001, p. 11): '[i]n essence, accountability places society at the heart of the analysis and questions the legitimacy of an organisation's actions, or perhaps even its right to exist. A management control orientation places the organisation at the centre of the debate and the society's – not the organisation's – legitimacy may be called (however implicitly) into question'.

A shifting orientation towards the public values, democracy and civil engagement, alternative practice of social audit was brought onto the surface based on principles of openness and democracy (Humphrey and Owen, 2000).



# Stakeholders: conceptual explanation

- A stakeholder - any single or collective entity that can affect or are affected by activities of the organization (Freeman, 1984).
  - E.g. single individuals or groups, private, public or hybrid organizations, institutions, societies, or nature (Mitchell et al., 1997) can act as stakeholders.
- A stakeholder – an individual or a group, who have an interest/rights/ownership in a project, and can contribute to, or be impacted by, either the work or the outcomes of the project. (Walker et al., 2008).
- A stakeholder – a person or a group, who control relevant information and resources and whose support is required for implementing a particular change (Morgan and Taschereau, 1996).

# Stakeholders: analysis (1)

## **Purpose:**

1. Map their power, influence and interests.
2. Identify the role and action arena of each stakeholder.
3. Prioritize interests of the stakeholders and assess importance of each stakeholder for organization.

## **Multiple ways to group stakeholders**

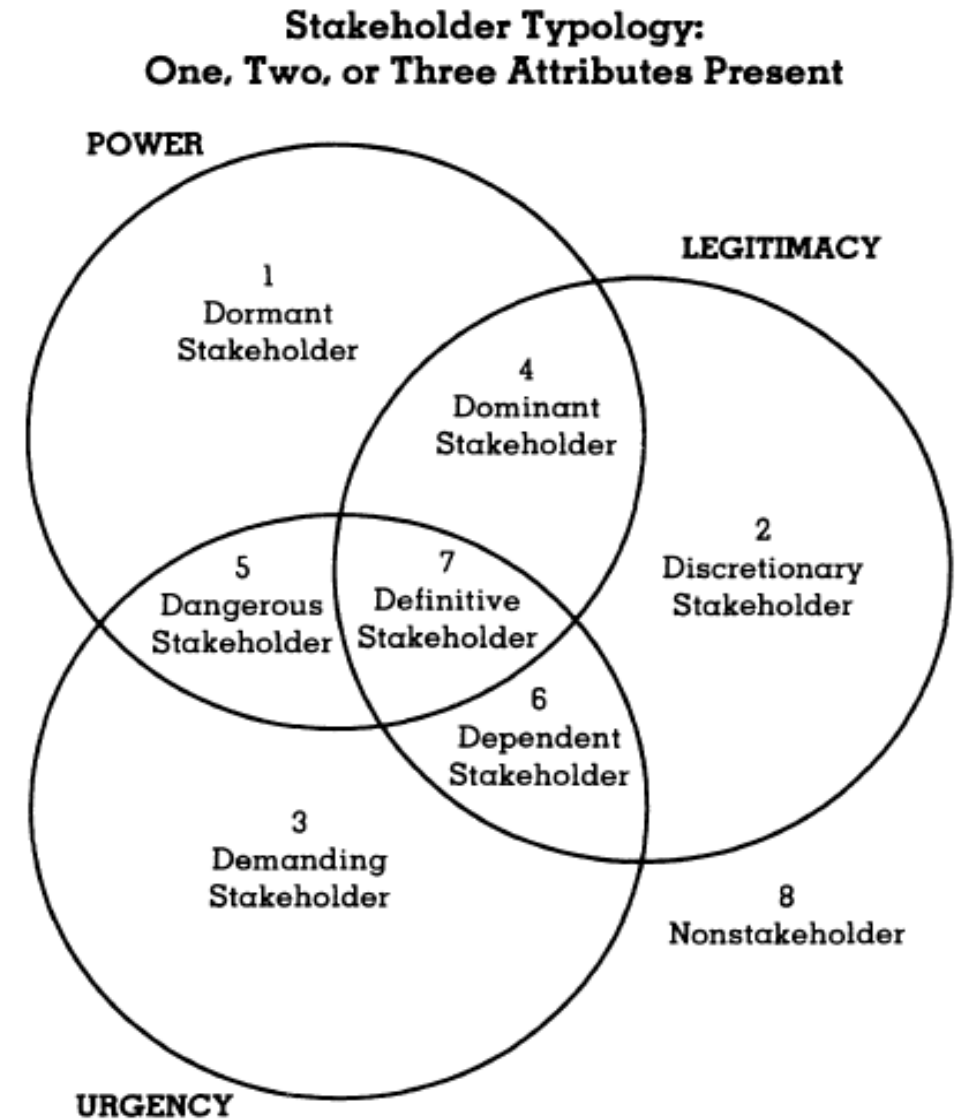
- potential for threat and potential for cooperation (Savage et al., 1991)
- stakeholder satisfaction, who is aware or ignorant, whether stakeholders' attitude is supportive or opposing (Turner et al., 2002)
- stakeholder expectations based on value hierarchies and Key Performance Areas (Fletcher et al., 2003)
- power/interest matrix (Scholes, 2001)
- ...



# Stakeholders: analysis (2)

E.g., Mitchell et al. (1997):

- Question: *which groups are stakeholders deserving or requiring manager's attention, and which are not?*
- Salience – “the degree to which managers give priority to competing stakeholder claims”.
- Stakeholder classes based on 3 key attributes of stakeholders: **power** to influence, **urgency** of the stakeholder's claim on the organisation and **legitimacy** of each stakeholder's relationship with the organisation.
- Classes: latent (1. dormant, 2. discretionary, 3. demanding), expectant (4. dominant, 5. dangerous, 6. dependant), highly salient (7. definitive) stakeholders.
- Dynamic nature!



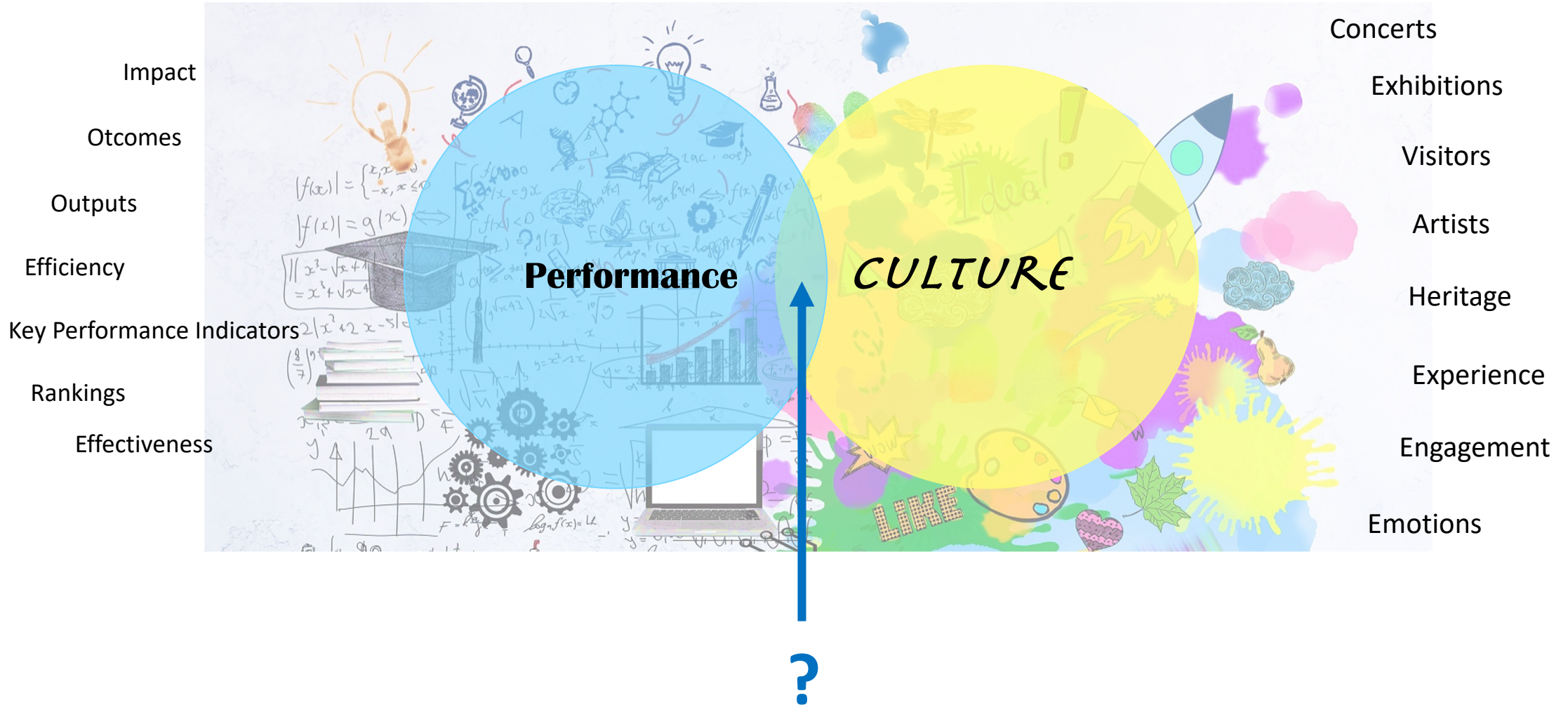
# 6. Culture as a case of performance measurement

# What is Culture?

- Set of intangible aspects of social life (*values, traditions, beliefs, systems of language, communication, and practices*)
- *Tangible* / material objects common to that group or society (*architectural compositions, technologies, clothing, jewellery, music, literature, art*)
- *Unifies* people and defines them as *a group*



# How to *measure* Culture?



# The European Capitals of Cultures (ECoCs)

- launched in 1985 as an intergovernmental European initiative
- more than 60 cities were awarded ECoC status
- among most ambitious cultural, collaborative programmes in the EU
- cultural mega-events that support and develop culturally based processes for social and economic change
- Being recognized as a powerful tool for cultural development, ECoCs intend to generate possibilities for the cities acting as a catalyst for city development and change





# Italian ECoCs

1986 Florence



2000\* Bologna



2004 Genoa



2019 Matera



2033 TBA\*\*

\*2000 (the millennium year) was treated in a special way, in order to emphasize the enduring heritage and contribution of European cities to world culture and civilization. Because of that, nine locations were chosen, including two cities of states that were to join the EU on 1 May 2004.

\*\*potential candidate city: [Turin](#)

# How ECoCs should work?

## **Creative capital theory of city growth** (Florida, 2014)

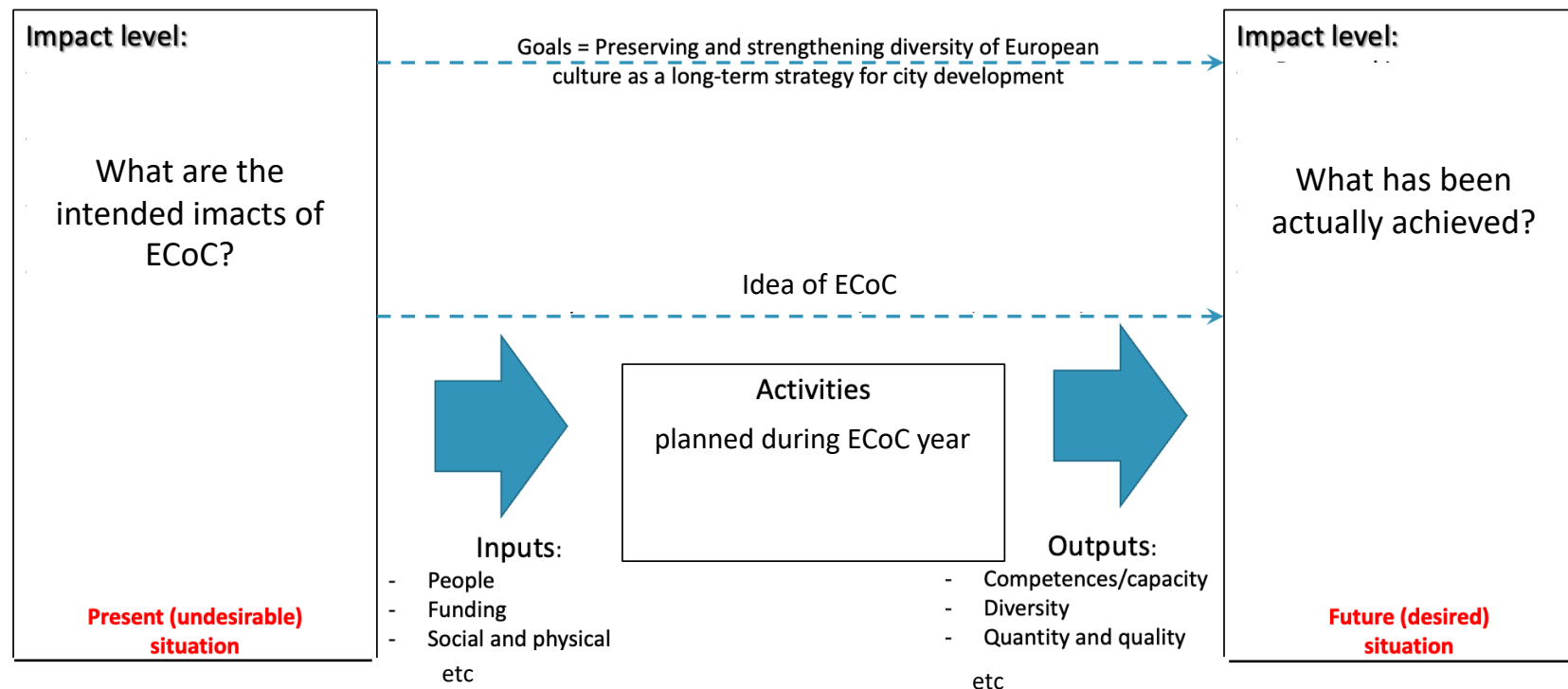
cities attract creative workers, who establish creative spaces, thus fostering open, dynamic, personal and professional urban development → achieving long-term effects for continuous economic growth → stimulate city development making life of residents better.

In addition to **economic effects**, e.g., increased employment and attracted investment, ECoCs are also expected to produce **socio-cultural effects**, such as increased sense of belonging, to build local identities and strengthen endogenous traditions, which are much harder to quantify.

# ECoCs': theory of change

Theory of Change (ToC) - an illustration of causal linkages between multileveled outcomes giving an explanation *how and why an initiative can bring up a desired change* (Clark, 2019; Clark and Grimaldi, 2013).

Each ECoC has its unique ToC, however they are all required to correspond to the supra-national ideas and priorities on the EU level.



Excising evaluation practices show complexity embedded into the expectations from ECoCs creates significant challenges for providing extensive report on how cultural initiatives actually worked.

ECoCs face challenges into holding themselves accountable for the results achieved and, most importantly, to the group of intended beneficiaries – residents of the city and local society.



