

Moving Beyond Agency- and Stewardship Theory: Testing a
Reputation-based Approach to Understanding
Government – Nonprofit Accountability Relations

Master's thesis



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Foreword

*You better mind how you talk
You better mind what you're talking about
You gotta give an account at the judgment
You better mind*

This verse is from the old American song *You better mind*, which has been recorded by numerous artists. YouTube provides a wide variety of them for those who are interested. Personally, I prefer the version that Sam Amidon – one of my favorite artists – included on his second album *I see the sign* (2010). It is one of the few songs about accountability – at least that I know of – but it nicely captures the core of this research about accountability relations between municipalities and pop music organizations. Pop music organizations are maybe an unusual case selection for a master's thesis, but for me it is not strange at all. I have spent a large part of my time as a student in EKKO, where I have become fascinated by how a small professional staff and a lot of volunteers can manage to do so much for so many people. Personally, I think that music can be a great inspiration for researchers. For example, the reputation-approach to public accountability was perhaps already described in *You better mind*. Because if I had to summarize the findings of this research in four lines, it would be like this:

*You better mind how you talk about your organization in everyday life
You better mind what you're talking about to important stakeholders
You gotta give an account at the judgment
You better mind about public accountability*

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Abstract

Nonprofit organizations are increasingly providers of public services (Milward & Provan, 2000; Smith & Lipsky, 1993). One of the most important challenges in public administration is to make these nonprofits accountable to government and the public (Alexander, Brudney, & Yang, 2010). However, accountability relations are theoretically poorly understood (Dubnick & Frederickson, 2010; Olsen, 2013). Busuioc and Lodge (2016, 2017), therefore, proposed a new approach which rests on the fundamental assumption that reputational motivations drive accountability behavior and outcomes. This study examines the value of this reputation-based approach for understanding accountability relations beyond agency- and stewardship theory. Twenty-four interviews were held with directors of Dutch music venues and festivals, and their municipal accountholders. The studied accountability relations are dominated by stewardship-type practices. However, deviations from this pattern are visible when reputational incentives are present. Key variables related to reputation-informed accountability behavior of actors are organizational age, dependence on a single funder and strength of expectations on core tasks. Key variables related to reputation-informed accountability behavior of forums are reputational risks relating to core competencies, past scandals and the presence of relevant audiences. This study concludes that working accountability theories are those theories that incorporate reputational motivations and incentives to account for the way in which expected reputational outcomes function as an important interaction variable that mediates the relation between institutional features of accountability relations and behavioral outcomes.

Introduction

In the “hollow administrative state” (Milward & Provan, 2000), wherein governments rely and depend on nonprofit organizations (henceforth referred to as “nonprofits”) for the provision of many public services, such as social work, community services and healthcare, one of the most challenging issues is public accountability in third-party government (Alexander et al., 2010, p. 565). This challenge for effective public accountability has been described as “THE public administration challenge of our time” (Dubnick & Frederickson, 2010, p. 143). The challenge of nonprofit accountability has also been recognized in the literature on nonprofits. “Improving nonprofit accountability is one of the most important issues facing the sector. Improving nonprofit accountability in ways that are attentive to what we might consider unique and valuable about how nonprofits address public problems is the challenge at hand” (Benjamin, 2008, p. 201). Therefore, many scholars have examined accountability relations carefully and tried to improve their quality (e.g. Dicke, 2002; Dicke & Ott, 2002; Schillemans, 2013; Whitaker, Altman-Sauer, & Henderson, 2004).

Yet, real-world public accountability relations are theoretically poorly understood (Dubnick & Frederickson, 2010; Olsen, 2013) and many findings from empirical studies deviate from theoretical predictions (Schillemans & Busuioc, 2015). Most public accountability research relies implicitly or explicitly on assumptions from agency theory (Busuioc & Lodge, 2016; Dicke, 2002, p. 455; Dicke & Ott, 2002, p. 467; Olsen, 2014; Schillemans & Bjurstrøm, forthcoming; Schillemans & Busuioc, 2015; Tacon, Walters, & Cornforth, 2017, p. 686; Gailmard, 2014, p. 90). Because of the relatively poor empirical performance of agency theory in public accountability research, scholars have recently advocated for an alternative model, wherein organizational reputation is identified “as a key variable in driving accountability behavior and outcomes” (Busuioc & Lodge, 2017, p. 94). Busuioc and Lodge (2016, 2017) argue that actors and forums¹ are primarily concerned with their reputation, because a good reputation is essential to organizational and individual life. Therefore, they state that “any analysis of accountability should start with the relational implications regarding reputational investment before investing into the design of institutions of account-holding and account-giving” (Busuioc & Lodge, 2017, p. 99).

The plea for a reputation-based approach to public accountability (henceforth referred to as “reputation theory”²) originates from the observation that agency theory is incapable of capturing two important aspects of behavior in public accountability relations (Busuioc & Lodge, 2016). First, actors are known to engage proactively in accountability processes (Gugerty, 2009; Karsten, 2015; Koop, 2014; Magill, 2008; Reiss, 2010; Schillemans, 2011; Schillemans & Busuioc, 2015, p. 203; Williamson,

¹ I use the word ‘actor’ to refer to an account-giver and the word ‘forum’ to refer to an account-holder.

² It can be debated whether the word ‘theory’ is the right label for the set of new ideas regarding the reputational basis of accountability. The choice to label these ideas as a theory is a pragmatic one. A discussion on what constitutes a theory, albeit very interesting, is beyond the scope of this research.

Luke, & Furneaux, 2017). From an agency theory perspective, proactive accountability-seeking behavior seems irrational (Koop, 2014), because it provides the forum with an extra opportunity to sanction the actor. Secondly, accountability is often considered to be a good thing in itself in agency theory (Bovens, 2007). Empirical evidence, however, shows that public accountability can also have adverse effects. Too much accountability can lead to accountability overloads (Bovens, Schillemans, & 't Hart, 2008; Halachmi, 2014). For instance, organizations that feel more accountable also experience more red tape (Overman, 2017).

Reputation theory attempts to answer these empirical shortcomings and turns agency-based models of accountability upside down (Brandsma & Adriaensen, 2017, p. 45). However, it is not the first theory that challenges the hegemony of agency theory in the study of accountability relations. Stewardship theory has been purposefully designed as an alternative to agency theory (Davis, Schoorman, & Donaldson, 1997; Schillemans, 2013). Surprisingly, the current debate on the added value of reputation theory is solely focused on its contrasting aspects to agency theory (Bertelli & Busuioc, 2018; Brandsma & Adriaensen, 2017; Busuioc & Lodge, 2016, 2017; Overman, 2017; Schillemans & Busuioc, 2015), thereby disregarding the progress that has already been made in stewardship theory. I intend to contribute to a richer debate on, and deeper understanding of, public accountability relations by considering all three available theories of public accountability by looking at accountability relations between Dutch municipalities and nonprofit music venues and festivals (henceforth: pop music organizations).

Contested concepts: public accountability and organizational reputation

The concept of public accountability is contested (Bovens, 2010; Dowdle, 2017; Mulgan, 2000). Therefore, it is crucial to be very clear concerning what exactly is meant by this term (Peters, 2014, p. 212). Following Bovens (2007), public accountability is here defined as “a relation between an actor and a forum, in which the actor has an obligation to explain and to justify his or her conduct, the forum can pose questions and pass judgement, and the actor may face consequences” (Bovens, 2007, p. 450). It should be noted that this obligation does not have to be prescribed by formal rules as accountability can also originate from a self-perceived obligation that one must render account to a forum (Overman, Grimmelikhuisen, & Schillemans, 2017). Moreover, it is important to highlight the distinction between forums and actors on the one hand, and principals and agents at the other hand. Busuioc and Schillemans (2015, p. 193) explain this distinction clearly, “The “principal” (i.e., the body or institution delegating certain powers or authority to an agent) is not necessarily synonymous with the accountability “forum.” Usually, after the delegation of powers by the principal, agents are subject to the oversight of multiple accountability forums, which can include the direct principal, but also third parties or institutions with partially opposing mandates.” Consequently, the principal is usually one of the multiple forums that an actor is accountable to (Schillemans, 2011).

Like public accountability, the concept of organizational reputation is contested (Maor & Wæraas, 2015). In a general sense, reputation refers to “the presentation of self in everyday life” (Goffman, 1959). Like accountability (Schillemans, 2016), reputation is relational by definition (Maor, 2016). This implies that reputation is subjectively perceived and does not refer to objective performance. Reputation thus refers to the *perceived* ability to perform certain tasks successfully. Carpenter (2010) has proposed a definition of organizational reputation which is widely adopted (e.g. Busuioac & Lodge, 2016; Carpenter & Krause, 2012; Maor & Wæraas, 2015). This definition is also used here, “organizational reputation is a set of symbolic beliefs about the unique or separable capacities, roles, and obligations of an organization, where these beliefs are embedded in audience networks” (Carpenter, 2010, p. 45). Organizational reputation can be distinguished in four dimensions (Carpenter, 2010). First, *performative reputation* relates to the question whether an actor can execute its assigned tasks properly. Secondly, *moral reputation* refers to the moral standards of the actor, such as compassion, flexibility, and honesty. Thirdly, *procedural reputation* relates to questions about compliance with dominant rules and norms, regardless of the outcomes of the procedure. Fourth and finally, *technical reputation* relates to the capacity and skills an actor requires for successful task performance.

Research aim and research question

The potential of reputation theory seems promising (Overman, 2017, p. 8), but its empirical validity is, especially in the context of nonprofit accountability, untested. The aim of this study is, therefore, to find out what the value of reputation theory is beyond stewardship- and agency theory in the study of accountability relations. Thereby, this research adheres to Olsen’s call “to explore competing ideas, their areas of application, strengths and weaknesses, and the circumstances under which different processes are likely to foster or hinder effective accountability and regime change” (Olsen, 2014, p. 119). Although most studies focus on only one side of the accountability relation, this research explicitly considers both sides of the relation. Research shows that accountability problems often originate from slacking forums instead of unruly actors (Olsen, 2013; Schillemans & Busuioac, 2015). Hence, there is “a need for accountability research to also shift the focus of accountability, and to explicitly investigate the behavior of the forum on a par with that of the actor” (Schillemans & Busuioac, 2015, p. 210).

Empirical research has shown that accountability theories are not mutually exclusive (Dicke, 2002; Dicke & Ott, 2002; Schillemans & Bjurstrøm, forthcoming; Van Slyke, 2006). Therefore, all three theories are likely to explain some aspects of any accountability relation. Eisenhardt (1989) even states that agency theory is particularly valid if coupled to other theoretical perspectives. According to Olsen (2013, p. 467), “[a]pproaches based on different foundational assumptions are likely to be complementary rather than excluding each other.” Hence, the question should not be which theory prevails (Schillemans & Bjurstrøm, forthcoming) but what multitheoretical perspective can best explain accountability behavior and practices (Tacon et al., 2017). I will, therefore, combine and integrate

insights from agency-, stewardship- and reputation theory into a conceptual framework that specifies the similarities and differences between the underlying assumptions, tenets, applications and predictions of the three theories to provide a basis for a meaningful assessment of the empirical validity of reputation theory beyond agency- and stewardship theory. This framework will then be used to explain accountability relations between Dutch municipalities and nonprofit pop music organizations, as an example of government – nonprofit accountability relations. The central question that this research answers is:

To what extent is a reputation theory of public accountability able to correctly explain the behavior of nonprofit pop music organizations and municipalities in public accountability relations beyond agency- and stewardship theory?

This research question can be broken down in four subquestions. Subquestion one is theoretical in nature and subquestions two through four are empirical questions:

1. What are the tenets of agency-, stewardship- and reputation theory? And, how do they differ from and coincide with each other?
2. What accountability practices do municipalities and pop music organizations employ?
3. To what extent is reputation theory, in combination with agency- and/or stewardship theory, able to correctly explain the organizational behavior underlying the accountability practices?
4. Which contextual factors influence the extent to which reputational concerns motivate the organizational behavior of pop music organizations and municipalities?

Relevance

The challenge at hand for students of accountability is to make accountability “work in theory” (Dubnick & Frederickson, 2010, p. 157). As Olsen (2013, p. 486) notes, “[a]spirational theory-builders (...) have some way to go before accountability relations and processes are well understood. There are many unsolved issues.” Much research has been carried out that adopts agency- or/and stewardship theory to examine public accountability relations (e.g. Dicke, 2002; Schillemans, 2013; Schillemans & Bjurstrøm, forthcoming; Van Slyke, 2006). Although progress has been made in understanding and explaining relevant features of government-nonprofit relations, Van Slyke (2006, p. 183) states that agency- and stewardship theory “only explain part of the government-nonprofit relation.” This calls for new theoretical approaches as to get a better understanding of these accountability relations. This research builds further on current literature by focusing on the additional value of reputation theory beyond agency- and stewardship theory.

A better theoretical understanding of accountability relations has great relevance for practitioners. A better understanding of accountability relations might help to solve some of the many

unsolved accountability issues in third-party government. Scholars have emphasized that instruments derived from agency theory, and to a lesser extent stewardship theory, may produce adverse effects, such as client abuse and exploitation (Dicke & Ott, 2002), intentional falsification and window-dressing (Dicke, 2002), red tape (Halachmi, 2014), great power distances, low participation and bad relations (Schillemans, 2013), and problems regarding reporting (Whitaker et al., 2004). Therefore, Dicke and Ott (2002, p. 481) state that “the search for alternatives to principal-agent theories-based accountability approaches should be a priority in government agencies.” On the one hand, reputation theory potentially provides a tool for practitioners who seek new ways to craft accountability arrangements or increase the accountability of third-parties. On the other hand, reputation theory may draw attention to the pitfalls of existing accountability arrangements that have not yet been recognized by either agency- and stewardship theory (see for example Bertelli & Busuioc, 2018).

Accountability theories

The theoretical tenets of agency-, stewardship- and reputation theory are described in this section. Many versions of these theories exist. Below, I describe ideal-typical versions to make the distinctions between the theories as clear and transparent as possible. Agency- and stewardship theory are compiled from classic texts (for agency theory, see Eisenhardt, 1989; Jensen & Meckling, 1976; Niskanen, 1971; and Shapiro, 2005. For stewardship theory see Davis et al., 1997; and Eisenhardt, 1989) as well as from studies relating to public accountability (Dicke, 2002; Dicke & Ott, 2002; Schillemans, 2013; Schillemans & Bjurstrøm, forthcoming; Van Slyke, 2006). It is more difficult to draw up an ideal-typical version of reputation theory, because of the recent introduction to the field of public administration. Its theoretic contribution has therefore not yet been adequately established in full detail. Reputation “represents a recent example *par excellence* of a management strategy traveling from the private to the public sector” (Salomonsen & Nielsen, 2015, p. 203). Hence, most reputation literature focusses on corporate settings, which is often of less value in the public sector context. This forms a challenge for working out a detailed and relevant reputation-based accountability theory. Yet, in recent years scholars have emphasized that reputation is also of great importance for organizations that operate in the public sector and those organizations that are depending on public sector funding (e.g. Bertelli & Busuioc, 2018; Busuioc, 2016; Busuioc & Lodge, 2016, 2017; Carpenter, 2010; Carpenter & Krause, 2012, 2015; Gent, Crescenzi, Menninga, & Reid, 2015; Gugerty, 2009; Maor & Wæraas, 2015; Overman, 2017; Schillemans & Busuioc, 2015; Tremblay-Boire, Prakash, & Gugerty, 2016; Wæraas & Sataøen, 2015; Wilson, 1989). This literature will be used to work out a reputation-based theory of public accountability. Subsequently, testable hypotheses will be formulated based on the three theories.

Agency theory

Agency theory focuses on problems that arise when a task is delegated from a superior (e.g. a ministry) to an executive (e.g. public service provider). Delegation creates a need for the principal to check on the performance of the agent (Jensen & Meckling, 1976), which makes the agent accountable to the principal for its performance of the delegated task. This accountability relation is characterized by the unidirectional focus of the principal to control the agent. Agency theory is characterized by two assumptions: “(1) there is goal conflict between the power (bureaucratic and political) and budget/wealth-maximizing behavior of the principal and the utility-maximizing behavior of the agent and (2) agents have more information than principals, which agents can exploit for self-gain rather than for the collective interests of the contracting parties leading to moral hazard problems” (Van Slyke, 2006, p. 162).

Agency theory is built upon the economic model of man: the *homo economicus* (Niskanen, 1971; Shapiro, 2005) and thus assumes a rational, self-interested and self-serving agent. If possible, agents will act opportunistically and exploit the information asymmetry to gain financial rent. This forms

a risk for the principal, whose motivation is to control costs as much as possible. Hence, the principal tries to prevent opportunistic behavior by installing information systems and the principal externally monitors compliance with these systems (Shapiro, 2005, p. 278). Such mechanisms function as an incentivizing instrument to align the interests of the agent with the interests of the principal, thereby minimalizing risks of moral hazard, information asymmetry, adverse selection and asset specificity (Van Slyke, 2006).

From an agency theory perspective, accountability practices are thus successful if they make the agent formally comply with the demands of the principal. Consequently, compliance should be rewarded, and defiance should be sanctioned. As agents seek financial gain, the most effective way to do this is by using pecuniary sanctions and rewards. Nevertheless, the principal will never be able to fully control the agent as there will always be information asymmetry. Moreover, monitoring and measuring behaviour and outcomes is costly. Hence, there is a trade-off between a lower information asymmetry and higher “agency costs” (Jensen & Meckling, 1976).

Stewardship theory

Like agency theory, stewardship theory focusses on the relation between a superior and an executive after task delegation. Stewardship theory presumes a bidirectional accountability relation as the principal and the actor are believed to have an initial trust disposition (Davis et al., 1997; Van Slyke, 2006). The cooperative nature of accountability relations follows from the essential assumption underlying the prescription of stewardship theory which is that the intentions of the agents are aligned with the interests of the principal (Davis et al., 1997, pp. 25–26). This goal congruence makes that the principal and the agent can work collaboratively in mutual trust.

Stewardship theory prescribes that the principal takes an involvement-orientated management approach in order to enhance task performance by the agent. Similarly, agents are intrinsically motivated to perform the delegated task effectively and efficiently. Furthermore, stewardship theory presumes that agents focus on satisfying their higher order needs in contrast. They strive for self-actualization and personal growth, which, in turn, has a positive effect on the performance of the task. The cooperative, trust-based accountability relation is maintained through a low power distance. This low power distance prevents “agents from distancing themselves from their principals and foster[s] bonds of loyalty and respect that decrease the need for control and oversight” (Schillemans, 2013, p. 545). The behavioural logic is best defined as altruistic because collective goals prevail above individualistic goals. Stewardship-type accountability practices should facilitate this altruistic behaviour. Hence, accountability practices are successful if they enable principals and agents to learn from past experiences to improve their future performance.

Oversight happens through bounded self-regulation based on trust, autonomy, discretion. Bounded self-regulation gives responsibility to the agent, which has an empowering effect (Van Slyke, 2006). In line with the higher order needs of the agent, nonpecuniary sanctions and rewards are used.

These sanctions and rewards are related to the goals and motivations of the agent, such as trust, reputational enhancement, reciprocity, discretion and autonomy, responsibility, job satisfaction, stability and tenure, and mission alignment (Van Slyke, 2006, p. 165). Examples of nonpecuniary sanctions and rewards include the authorization of additional discretion and autonomy or giving negative feedback.

Reputation theory

A limitation of agency- and stewardship theory is that both theories largely neglect the fact that organizations are often engaged in multiple accountability relations. According to Shapiro (2005, p. 278), “the real problem is that the agent is most likely serving many masters, many of them with conflicting interests.” She goes on to ask: “How do agents choose among often incommensurable interests that do not share a common metric along which competing demands can be ranked, costs and benefits weighed, trade-offs evaluated, or rational choices modelled?”

Starting from the notion that organizations are embedded in networks of audiences with different expectations, reputation theory formulates a radically different answer to this question than agency theory or stewardship theory. Reputation theory postulates that organizations do not primarily pursue individualistic or collective interests. Instead, the essential assumption underlying reputation theory is that organizations try to maintain a good reputation vis-à-vis multiple audiences that are embedded in a network, which includes “masters” or principals, but also other stakeholders, such as partners, professional peers, evaluation committees, clients, interest groups and the media (Busuic & Lodge, 2016, 2017; Schillemans, 2011). As organizations often operate in multiple long chains of delegation wherein they are both actor and forum (Romzek, LeRoux, & Blackmar, 2012; Whitaker et al., 2004), account-giving and account-holding does not follow clear lines of delegation. Instead, account is rendered to many relevant audiences through horizontal (Schillemans, 2011), informal (Romzek et al., 2012), and voluntary (Gugerty, 2009; Koop, 2014; Magill, 2008; Reiss, 2010; Williamson et al., 2017) accountability practices. In other words, reputation theory postulates that reputation incentives determine the ways in which individuals seek to allocate attention and blame (Busuic & Lodge, 2017, p. 94). Consequently, the relevant question is not how agents choose among often incommensurable interests, but how agents strategically manage their reputation among conflicting expectations of multiple audiences (Busuic & Lodge, 2017).

Because of the multiplicity of relations, the power distance is less clear than in agency- and stewardship theory. Carpenter and Krause (2012) argue that power is the result of transactional authority, which “rests on the premise of bargaining and mutual exchange that reflects a partnership - albeit sometimes a contested one - between principal and agent” (Carpenter & Krause, 2012, p. 8). Accountability relations are the result of constant negotiation between principal and agent, because it is impossible to contractually codify every contingency or possible course of action in advance (Carpenter & Krause, 2012, p. 12). Reputation cannot be measured or monetized and, therefore, cannot be specified in contracts (Carpenter, 2010). Consequently, reputational incentives can only work through non-

contractual mechanisms. This argument can easily be extended to the relation between actors and non-principal forums, because contracts are often absent in such relations. As actors primarily seek to maintain a good reputation, actors shall override even institutionally powerful forums if they regard defiance as an favorable option in terms of reputational outcomes (Bertelli & Busuioc, 2018). Similarly, forums might choose to neglect accountability obligations if expected reputational outcomes are negative or lacking (Busuioc & Lodge, 2017; Carpenter, 2010; Etienne, 2015; Schillemans & Busuioc, 2015). This perspective differentiates from both agency theory, wherein the principal uses its authority to install information mechanisms and monitor compliance, and stewardship theory, wherein the principal uses its authority to authorize autonomy and discretion. In contrast to agency- and stewardship theory, reputation theory doesn't perceive principals to be "ultimately being decisive in the course of action pursued by bureaucratic agents" (Carpenter & Krause, 2012, p. 8).

The behavioral logic behind accountability practices is best defined as recognition-seeking in reputation theory. Recognition-seeking behaviour is especially apparent when accountability relates to "core competencies" (Carpenter, 2010) of an organization, which can be understood as the answer to the question "what do we want to be known for?" (Busuioc & Lodge, 2017, p. 93). Overman (2017) distinguishes between core tasks and non-core tasks which is closely linked to concept of core competences. Organizations perform many different core and non-core tasks and they often must render account on both types of tasks. Reputation theory presumes that organizations invest heavily in accountability practices related to core tasks, while accountability on non-core tasks is considered as burdensome (Busuioc & Lodge, 2017; Overman, 2017). Moreover, if scrutiny on core tasks is lacking, organizations will actively engage in proactive accountability practices to seek approval and acceptance from relevant audiences (Busuioc & Lodge, 2017).

Thus, when core competences are involved, organizations actively and unilaterally "attempt to invoke symbols and interpretations to appeal to diverse actors in their environment so as to build a reputation" (Christensen & Lodge, 2018, p. 120) and expand one's support basis (Busuioc & Lodge, 2017; Maor & Wæraas, 2015; Tremblay-Boire et al., 2016). Examples of recognition-seeking behavior are joining voluntary accountability programs (Gugerty, 2009; Tremblay-Boire et al., 2016), providing positive descriptions of the organization (Gardner & Martinko, 1988) and informal accountability practices (Romzek et al., 2012). Organizations tactically deploy such reputation management strategies to position in an unclaimed niche (Busuioc, 2016; Wilson, 1989). In competitive settings, a good reputation signals virtue which provides a competitive advantage (Deephouse, 1999; Gugerty, 2009; Wæraas & Sataøen, 2015). In public, non-competitive settings, a good reputation is at least as desirable because it creates a certain uniqueness that enhances autonomy (Busuioc, 2016; Wilson, 1989).

Reputation theory emphasizes that principals do not always perform their obligation to oversee the behavior of the agent (Schillemans & Busuioc, 2015). They sometimes "lack motivation, time and energy, knowledge or capabilities" (Olsen, 2013, p. 454) to oversee the behavior of agents or they lack political support (Dicke, 2002). Moreover, forums that do not have an formal obligation to hold an actor

to account may be very active and influential in their account-holding activities (Schillemans, 2011; Schillemans & Busuioc, 2015). Reputation theory postulates that forums will invest their limited resources in the accountability relations with the highest reputational risks. Forums might even hold an actor to account beyond institutional boundaries if this is required to maintain their reputation (Busuioc & Lodge, 2017). In contrast, forums will neglect obligations to hold actors to account in accountability relations where the reputational risk for the forum is low (Schillemans & Busuioc, 2015).

“The fear of developing a bad reputation is the most important mechanism to influence and control behavior” (van Erp, 2008, p. 146) according to reputation theory, and, therefore, reputational sanctions are perceived to be the most effective way to correct unwanted behavior of actors. Similarly, public recognition is an instrument to reward to good behavior of actors (Romzek et al., 2012, p. 447). An essential feature of reputational sanctions and rewards is that the impact occurs outside the direct relation between forum and actor. For example, a regulating agency (i.e. the forum) might fine a nonprofit (i.e. the actor) for malperformance and publish about it in order to signal to clients that the nonprofit should not be trusted. In such a case, the reputational consequence is arguably much more effective than the direct financial consequence of the fine. The deteriorated reputation is a burden for the nonprofit as it becomes harder to secure future funding, serve clients satisfactorily, attract good personnel and so forth. In other words, reputational sanctions and rewards are effective because its impact is the combined effect that it has on all relations of the actor. Reputational sanctions and rewards are, however, not always effective. The impact of reputational sanctions and rewards is higher if the network is dense, compliance is considered as morally just by relevant audiences, financial and contractual incentives are lacking or impossible and reputational information is effectively disseminated in the network (van Erp, 2008). Table 1 summarizes the tenets of the three theories.

Comparison of agency-, stewardship- and reputation theory

Reputation- and stewardship theory are both devised as an alternative to agency theory. A comparison between agency-, stewardship- and reputation theory is far from easy, as the assumptions underlying reputation theory sometimes overlap with either stewardship- or agency theory. This raises the question how agency-, stewardship- and reputation theory should be understood in relation to each other. The main distinction between agency- and stewardship theory is that agency theory is essentially a theory of conflicting interests while stewardship theory assumes aligned and overlapping interests (Schillemans & Bjurstrøm, forthcoming; Schillemans, 2013). This results in different approaches to overcoming information problems, monitoring, sanctioning, rewarding and so forth.

The fundamental distinction between agency- and stewardship on the one hand, and reputation theory on the other hand, in my opinion, is related to the locus of the theory. Agency- and stewardship theory take information as the basis of the accountability relation. Agency theory asserts that agents exploit the information asymmetry for personal benefit, while stewardship theory asserts that agents render account to the principal to enhance collective performance. In contrast, reputation theory asserts

that a good reputation, which is more subjective than information, is at the heart of accountability. Whereas stewardship theory rejects the fundamental assumption of agency theory (i.e. goal incongruence; Davis et al., 1997), reputation theory still assumes a conflict. This conflict does not revolve around conflicting *interests* of *principals* and *agents* as in agency theory, but around conflicting *reputational outcomes* for *forums* and *actors*. This aspect of conflict is, for example, reflected in the expectation that a high reputational investment of the forum and the actor leads to “intensive heat” (Busuioac & Lodge, 2017).

TABLE 1 OVERVIEW OF AGENCY-, STEWARDSHIP- AND REPUTATION THEORY

	Agency	Stewardship	Reputation
Relation type	Principal – agent (unidirectional)	Principal – steward (bidirectional)	Network of audiences (multidirectional)
Congruence of goals	Goal conflict	Goal congruence	Conflicting expectations of multiple audiences
Type of goal	Principal: Cost control Agent: Financial rent	Principal: Performance enhancement Agent: self-actualization and personal growth	Maintaining a good reputation vis-à-vis multiple audiences
Power distance	High	Low	Transactional authority
Behavioural logic	Self-interested and self-serving	Altruism	Recognition-seeking
Aim of accountability	Formal compliance	Learning	Positioning in an unacclaimed niche Account-holding beyond institutional boundaries if reputational risk is high and “forum drift” if reputational risk is low
Oversight	Oversight through external monitoring and pecuniary incentives	Oversight through bounded self-regulation based on trust, autonomy, discretion	Reputational rewards and sanctions

Similar to agency theory, actors and forums are still assumed to be rational and self-interested in reputation theory, that is, they try to maximize their *own* reputation. Building on the assumption of conflict, reputation theory extends agency theory by substituting information for reputation as the basis of accountability relations (Busuioac & Lodge, 2016). Moreover, reputation theory extends accountability from hierarchical relations, wherein the principal delegates a task to an agent, to non-hierarchical relations wherein there is no clear delegation of tasks and hierarchy.

As actors are still assumed to be rational, self-serving and in conflict with accountholders, what discerns reputation-based predictions from agency-based predictions? The answer to this question is that it depends on the presence or absence of dynamic reputational incentives. Reputation theory postulates that accountability behavior is ultimately derived from the calculation of expected reputational wins and losses by the actor and the forum. Yet, predicted behavior does not necessarily differ between agency-

and reputation theory, as reputational outcomes can, at least theoretically, be maximized by sticking to agency theory predictions. For example, both reputation- and agency theory would predict that a specialized regulating agency closely monitors actors and imposes sanctions in the case of misconduct. However, the logic behind this behavior is different. Agency theory stipulates that all principals closely monitor agents to minimize the risk of shirking. In contrast, reputation theory stipulates that the reputation of the regulating agency depends on its performance to hold actors to account as this is the agency's core competence. If it fails to successfully oversee actors and their failure is made public, this would mean a severe reputational loss. Hence, the forum cares about overseeing the behavior of the actor because of the potential reputational damages for themselves if it would not care about fulfilling accountability obligations. In other words, reputation theory specifies under which conditions reputational concerns may lead actors and forums to deviate from the predicted behavior based on agency theory. In particular, reputation theory draws attention to the multiplicity of forums and actors that create dynamic reputational incentives.

In statistical terms, reputation functions as an interaction variable. Expected reputational outcomes are constantly factored into the assessment of incentives that are provided through institutional arrangements. In other words, the fluctuating reputational outcomes mediate the relation between important variables that define the institutions of accountability relations (i.e. level of information asymmetry, risk-aversion, goal conflict and so forth, Eisenhardt, 1989) and behavioral outcomes. For example, agency theory prescribes that actors "try to defy, duck or game accountability obligations" (Schillemans & Busuioac, 2015, p. 198), because they fear that the forum might detect misconduct and correct them accordingly. Reputation theory, however, would suggest that actors will *only* do so *if* accountability obligations are perceived as a risk to the actor's core reputation. It might even be that rendering account is expected to positive reputational consequences and, therefore, actors might choose to voluntarily take on extra accountability obligations (Busuioac & Lodge, 2017). Thus, reputation theory emphasizes the variability of reputational incentives across time, space, audiences and settings which ultimately produce accountability behavior. In this respect, "interests" are indeed replaced by "reputation" (Brandsma & Adriaensen, 2017, p. 45).

Predicting accountability behaviour

Seven hypotheses are formed on the basis of the three theories. The first four hypotheses are arranged according to the three phases of accountability (Brandsma & Schillemans, 2013), which are the information phase, the discussion phase and the consequence phase. The last three hypotheses cover conditions that are likely to influence the predictive power of the three theories. The hypotheses are summarized in table 2.

TABLE 2 HYPOTHESES

		Agency theory	Stewardship theory	Reputation theory
<u>Accountability as process</u>				
Information phase	(H1)	Escape accountability demands	Account-giving as appropriate practice	Account-giving depending on reputational consequences
	(H2)	Detailed monitoring	Autonomy and trust	Account-holding depending on reputational consequences
Discussion phase	(H3)	Detailed questioning	Dialogue	Strategic presentation of self by invoking positive interpretations and symbols in discussions
Consequences phase	(H4)	Prevent shirking	Foster learning	Provide a signal of moral approval or disapproval to relevant audiences
<u>Conditions</u>				
Geography	(H5)	Urban	Rural	Rural
Dependence	(H6)	High	High	Low
Professionalism	(H7)	Low	High	High

It is important to note that the pop music organizations constitute a special type of actor. Direct accountability of art organizations to government on artistic choices is deemed inappropriate in most European countries (Mangset, 2009). Arts organizations, like pop music organizations, therefore, “remain relatively insulated from politics, such they can operate at arm’s length. This particular trait of the cultural sector makes it a highly interesting part of the public domain, in which accountability can be studied in the relative absence of interfering coordination mechanisms” (Overman, 2017, p. 5). That is, pop music organizations are obliged to render account to the municipality on procedural, non-core tasks such as their financial performance and governance, while they have autonomy in decisions regarding core tasks which relate to artistic matters.

Information phase: Account-giving

In the information phase, the actor provides an account of his conduct and behavior toward the forum (Brandsma & Schillemans, 2013, p. 3). A distinction is made between account-giving and account-holding (Busuioc & Lodge, 2017) to incorporate hypotheses on behavior of both forums and actors. Regarding account-giving, agency theory expects pop music organizations to shy away from accountability obligations as giving account is never cost-free (Koop, 2014) and the municipality may detect misconduct and therefore sanction the pop music organization (Bovens, 2007). Stewardship theory expects pop music organizations to voluntarily share information to the municipality because of their shared goals. Pop music organization do not to duck or defy accountability obligations as account-giving is considered as an appropriate practices. Reputation theory expects pop music organizations to

be mostly concerned with accountability relations that relate to core competences as these relations bear the highest reputational benefits and risks. In the case of pop music organizations, core competencies relate to artistic matters, such as the quality or uniqueness of shows (Johnson, 2017). However, accountability on such matters to government is deemed inappropriate for cultural organizations (Mangset, 2009). Hence, pop music organizations are expected to employ proactive accountability practices to acquire a good reputation related to their core tasks (Overman, 2017). In formal terms,

Hypothesis 1a (Agency): Pop music organizations try to escape or game accountability obligations towards the municipality

Hypothesis 1b (Stewardship): Pop music organizations voluntarily share information with the municipality, irrespective of the financial and reputational consequences.

Hypothesis 1c (Reputation): Pop music organizations proactively give account on core tasks and reluctantly give account on non-core tasks.

Information phase: Account-holding

Regarding account-holding, agency theory expects municipalities to frequently monitor the behaviour of the pop music organizations in order to prevent opportunistic behaviour (Jensen & Meckling, 1976). Stewardship theory expects municipalities to give pop music organizations autonomy (Davis et al., 1997; Van Slyke, 2006). Municipalities entrust pop music organizations to ascertain that its services are of a high quality (Schillemans & Bjurstrøm, forthcoming). Reputation theory expects municipalities to be mostly concerned with aspects of the accountability relation that relate to their core competencies as these aspects bear the highest reputational risk. Bureaucratic governments are traditionally concerned with procedures (Du Gay & Byrkeflot, 2012) that ensure legitimate, effective and efficient spending of public money (Bovens, 2007). Hence, the core competences of the municipality relate to procedural aspects, like the correct following of regulations, ensuring good governance of the pop music organizations and monitoring financial guidelines, and moral aspects such as ensuring that public money is spent legitimately and ensuring that all citizens have equal access to public services (Smith & Lipsky, 1993). As it is deemed inappropriate to scrutinize performative aspects of cultural organizations (Mangset, 2009), performative aspects are likely to only relate to non-core tasks of pop music organizations, such as the contribution to social and economic goals (see also Gray, 2007). If core competences are endangered, it can be expected that the municipalities will take extensive measures to hold the pop music organization to account (see Busuioc & Lodge, 2017). In opposition, if reputational consequences are nihil, municipalities do not take a role as accountholder and “forum drift” – that is, the accountability forum drifting away from agreed upon goals and measures (Schillemans & Busuioc, 2015, p. 201) – occurs. In formal terms,

Hypothesis 2a (Agency): Municipalities frequently monitor actors in detail.

Hypothesis 2b (Stewardship): Municipalities give considerable autonomy to pop music organizations and entrusts them to provide services effectively and efficiently.

Hypothesis 2c (Reputation): Municipalities take measures, and may even go beyond institutional boundaries, to hold the pop music organization to account when the reputational risk are high and forum drift occurs when reputational risks are low.

Discussion phase

In the discussion phase, the forum assesses the account of the actor and may ask for additional information and pose follow-up questions. Regarding the discussion phase, agency theory expects municipalities to ask detailed questions on contractually specified parameters which enable early detection of opportunistic behaviour. Discussions focus on performance regarding expected inputs, processes, outcomes, quality and satisfaction parameters, monitoring and performance-reporting requirements, compensation and sanctions (Van Slyke, 2006, p. 162). Stewardship theory expects municipalities to ask open-ended questions to stimulate learning. Discussions constitute a dialogue wherein the municipality and the pop music organization “work together to learn what needs to be done to address public needs more effectively” (Whitaker et al., 2004, p. 115). Reputation theory expects relevant forums and pop music organizations to strategically present themselves by using impression management techniques which invoke positive symbols and interpretations among relevant audiences (Christensen & Lodge, 2018; Gardner & Martinko, 1988). Examples include stating that an undesirable event is not a fair representation of what the actor is really like, denying that an undesirable event has happened or giving a favorable description of the organization (Gardner & Martinko, 1988). The discussion happens in a network, where multiple audiences, such as the media and the general public, shape dynamic reputational incentives which have a dominant influence on the course of the discussion and the questions that are posed. In public discussions, organizations “select strategies as to how they seek to be understood and stress particular aspects of their competence to enhance audience perceptions of niche roles, uniqueness, and appropriateness” (Busuioc & Lodge, 2017, p. 93). They will particularly be proactive as to avoid blame and shift attention in discussions that question core competences because this is where the reputational risks are the highest. In formal terms,

Hypothesis 3a (Agency): Municipalities pose detailed, behaviour-oriented questions.

Hypothesis 3b (Stewardship): Municipalities and pop music organizations have a dialogue wherein open, outcome-oriented questions are posed.

Hypothesis 3c (Reputation): Municipalities and pop music organizations select strategies to positively present themselves towards relevant audiences in discussions.

Consequence phase

In the consequence phase, the forum will pass judgment on the behavior of the actor and punish, correct or reward the actor when needed (Brandsma & Schillemans, 2013, p. 3). In this phase, agency theory expects municipalities to be very strict with sanctions and rewards. Rules are enforced consistently to signal that opportunistic behaviour is not tolerated by the municipality, both towards the targeted pop music organization as well as to other agents (Majone, 2001, p. 109). Secondly, stewardship theory expects municipalities to focus on performance enhancement rather than compliance with rules (Davis et al., 1997; Schillemans, 2013, p. 545). Rewards and sanctions are used to foster learning from past conduct and improve future service delivery (Bovens, 2007; Whitaker et al., 2004). Thirdly, reputation theory expects relevant forums to use both pecuniary or nonpecuniary rewards and sanction,

however, the effect of rewards and sanctions lies in the moral disapproval or moral approval that it signals to audiences of the pop music organization rather than the reward or sanction itself (van Erp, 2008). In formal terms,

Hypothesis 4a (Agency): Municipalities use pecuniary sanctions and rewards to prevent shirking.

Hypothesis 4b (Stewardship): Municipalities use nonpecuniary rewards and sanctions to foster learning.

Hypothesis 4c (Reputation): Municipalities and relevant forums use pecuniary and nonpecuniary sanctions and rewards to influence the reputation of the pop music organization.

Conditions

Contextual conditions have a significant effect on the strength or weakness of accountability practices (Van Slyke, 2006). Hence, three hypotheses are formulated on conditions that are known to influence accountability practices.

Geography

The geography of the municipality can be expected to have an influence on accountability relations for two reasons. First, in rural municipalities there is often a lack of competition between service providers. They can, therefore, not use competition or financial incentives as a mechanism to select, reward or sanction pop music organizations. Instead, reliance on trust-based, long-term relations and reputation is a more effective mechanism (Van Slyke, 2006), which is in line with stewardship theory. Secondly, it is more difficult to oversee the behaviour of pop music organizations through informal mechanisms in urban municipalities than in rural municipalities where everyone knows what one another is doing (Van Slyke, 2006). The lack of such informal information mechanisms in urban municipalities creates a need for external monitoring. In contrast, the need for external oversight in rural municipalities is lower as reputational information is effectively disseminated through informal contacts in the dense network (see van Erp, 2008; Van Slyke, 2006). In formal terms,

Hypothesis 5a: Accountability practices in urban municipalities are particularly aligned with agency theory.

Hypothesis 5b: Accountability practices in rural municipalities are particularly aligned with stewardship- and reputation theory.

Dependence

Financial dependence on the municipality can be expected to foster agency- and stewardship-type accountability practices. If dependence is high, it becomes difficult to construct meaningful accountability relations with other forums as the interests of that funder become the point of reference for all accountability relations (Tacon et al., 2017). If pop music organizations dependent on government, they become more responsive to governmental interests than to interests of other relevant forums (Guo, 2007). Consequently, it can be expected that a higher dependence strengthens the role of the municipality as principal. In contrast, when a pop music organization is relatively independent of the municipality, it can be expected that the municipality is considered as just one of the forums within a network of relevant audiences. In formal terms,

Hypothesis 6a: Accountability practices are particularly aligned with agency- and stewardship theory if dependence is high.

Hypothesis 6b: Accountability practices are particularly aligned with reputation theory if dependence is low.

Professionalism

Pop music organizations (Dalen, Hoek, & Vreeke, 2009), like many other art organizations (DiMaggio, 1991; Peterson, 1986) and nonprofits (Hwang & Powell, 2009), undergo a process of professionalization, which is an important strategy for securing future governmental funding (Suárez, 2010). A high level of professionalism shows “that they are comfortable extending beyond organizational boundaries to achieve their goals and objectives” (Suárez, 2010, pp. 319–320). For example, professional pop music organizations are more likely to collaborate with external partners than less professional pop music organizations (Dalen et al., 2009, p. 73). As pop music organizations increasingly professionalize, they become more imbedded in a network. Professional pop music organizations are, therefore, subject to multiple accountability demands, both from private-type forums (e.g. professional peers, media and visitors) and public-type forums (e.g. public managers, municipal executive, art council and public funds). As it is never possible to satisfy all forums, because of time constraints and conflict between multiple accountability demands (Koppell, 2005), reputational outcomes may function as a strategy to prioritize some accountability demands over others. Furthermore, Suárez (2010, p. 320) argues that governments contract with professional nonprofits because “in the absence of concrete and readily available indicators for nonprofit effectiveness, professionalization and collaboration could be straightforward, distinguishing features of organizations that align with the goals and expectations of public agencies.” This points to the alleged correlation between a high level of professionalism and goal congruence. This gives reason to expect stewardship-type practices when professionalism is high. In formal terms,

Hypothesis 7a: Accountability practices are particularly aligned with agency theory if professionalism is low.

Hypothesis 7b: Accountability practices are particularly aligned with stewardship- and reputation theory if professionalism is high.

Data and methods

The theoretical framework and resulting hypotheses were empirically tested in the context of accountability relations between municipalities and pop music organizations. This section provides a detailed account of the research process.

Research context

Up till now, most studies on accountability relations at the local level have focused on health services (e.g. Dicke, 2002; Dicke & Ott, 2002; Milward & Provan, 2000), social services (Benjamin, 2008; Romzek et al., 2012; Van Slyke, 2006) or miscellaneous nonprofit services (Coule, 2015; Suárez, 2010). Public accountability in cultural organizations is understudied. I specifically focus on pop music organizations as actors and municipalities as principals. This context allows for a meaningful test of agency-, stewardship- and reputation theory. The characteristics of this accountability relation are interesting in the light of the research question as policy and sectoral characteristics point to tenets of all three theories.

First, cultural policy scholars have noted that cultural policy is increasingly used instrumentally to attain non-cultural policy objectives, such as social and economic outcomes (Gray, 2002, 2004, 2007, 2017). The expectations of art organizations have increased drastically, although public funding has not grown parallelly (Schrijvers, Keizer, & Engbersen, 2015). Performance indicators and measurements have become widely adopted as a strategy to assess the quality of services by art organizations and their success in attaining both cultural and non-cultural objectives (Belfiore, 2004; Schuster, 1996; Selwood, 2002). These trends have been linked to the New Public Management (NPM) discourse (Belfiore, 2004; Gray, 2008; Van den Hoogen, 2014). NPM reforms have shifted attention from accountability for processes and procedures to accountability for performance and results (Lægreid, 2014, p. 325). In the cultural sector, direct accountability to government for performance and results is in most European countries traditionally considered as undesirable (Mangset, 2009). The many NPM reforms in the cultural sector have increased the overall accountability of art organizations. Consequently, external monitoring is increasingly used to assess their ability to effectively and efficiently attain a wide array of policy objectives (Van den Hoogen, 2012), which gives reason to expect a high prevalence of agency-type accountability practices.

Secondly, pop music organizations are characterized by a high level of amateurism and Do It Yourself-mentality. Pop music organizations are often partly run by volunteers and even paid staff will go the extra mile without direct compensation (Johnson, 2017). Likewise, bureaucracies are populated with many dedicated, talented and intrinsically motivated public managers, because the public sector gives them the opportunity to work on policies they care about (Gailmard, 2010). Following this line of reasoning, accountability practices prescribed by stewardship theory can be expected.

Thirdly, pop music strive to acquire and uphold a “taste reputation”, while they struggle to make enough turnover to survive (Johnson, 2017). That is, pop music organizations seek unique niches that signal the virtue of their musical preferences, while they largely neglect market-based incentives (Johnson, 2017). As accountability on performative results of cultural organizations is deemed inappropriate (Mangset, 2009), accountability tends to focus on non-core aspects, such as procedures and finance. Consequently, pop music organizations might proactively render account to important audiences to acquire the “taste reputation” they desire (Johnson, 2017; Overman, 2017) and counter institutional pressures that limit their autonomous position in the pursuit of high artistic standards (Oliver, 1991). Following this line of reasoning, accountability practices prescribed by reputation theory can be expected.

Research strategy

Agency- and stewardship theory are often construed as opposites on a continuum. For instance, agency theory involves a high power distance while stewardship theory involves a low power distance (Davis et al., 1997). The advent of reputation theory makes things much more complicated as the propositions of reputation theory cannot easily be placed on such a continuum. Reputation theory assumes complex interactions that change according to volatile reputational incentives. An in-depth, contextualized understanding is needed to assess the empirical validity of reputation theory. Consequently, a qualitative research design (Yang, 2014) was adopted for data gathering. The formulated hypotheses are the leading principles of this research. However, as reputation theory has not yet fully been developed in the context of public accountability, special attention was paid to new insights that could arise from the data. An approach of “retroduction” was taken, that is, “to go beyond empirically observable events by asking questions about the more fundamental, transfactual conditions for such events” (Dowdle, 2017, pp. 86–87).

Case selection

Contextual factors have a high impact on the nature of the relation between governments and nonprofits (Van Slyke, 2006). Therefore, internal data from the Association Dutch Music Venues and Festivals (*Vereniging Nederlandse Poppodia en Festivals* (VNPF), in Dutch; the peak organization for Dutch pop music organizations) and publicly available data were used to purposefully select cases. Contextual conditions that were considered to be relevant are population of the municipality (a measure of geography; see Van Slyke, 2006), subsidy/turnover ratio (a measure of financial dependence on the municipality; see Tacon et al., 2017) and volunteers/total staff ratio (a measure of professionalism: see Suárez, 2010). See table 3 for descriptives.

TABLE 3 DESCRIPTIVE STATISTICS OF TOTAL SET OF DUTCH MUSIC VENUES AND FESTIVALS

	Minimum	Maximum	Mean	Standard deviation	N
Population*	1.133	855.896	147.478	151.824	50
Subsidy (euros)**a, b	18.959	7.301.100	755.342	1.059.547	53
Annual turnover (euros)**a, b	67.804	22.823.370	2.708.027	4.198.543	53
Subsidy / Turnover ratio**a, b	0,039	0,847	0,404	0,196	53
Volunteers (fte)**a	0	30	6,4	6,7	47
Total (fte)**a	2,7	176	30,4	33,2	47
Volunteers / Total ratio**a	0	0,674	0,273	0,187	47

Source: **Centraal Bureau voor de Statistiek* (CBS, 2018) and **VNPf data from 2016.

^aVNPf dataset does not include information on festivals.

^bVNPf dataset was supplemented with publicly available data for six cases.

Dichotomous variables are created to construct a sample wherein a case from every possible configuration was included. Unfortunately, no VNPf data is available on festivals. Hence, there are only two possible configurations for festivals (i.e. urban or rural). Municipalities with more than 150.000 inhabitants are categorized as “urban” and municipalities with less than 150.000 inhabitants are categorized as “rural”. The means of the variables *dependence* (mean = 0,404) and *professionalism* (mean = 0,273) are taken as cut-off points. This strategy ensures that cases with varying contextual conditions are included in this research, thereby yielding a diversified dataset. Nevertheless, I do not claim that the resulting dataset is representative for all pop music organizations.

A purposive sampling strategy was employed. Pop music organizations were identified from the membership list of the VNPf. Pop music organizations without municipal funding were eliminated from this set. In total, 76 out of 103 pop music organizations receive municipal funding. The cases in the final sample were purposively selected based on the three contextual conditions (i.e. geography, professionalism and dependence), type of organization (i.e. music venue or festival) and geographical balance within the country. This sampling strategy was used to specifically yield a diversified dataset with mixed accountability practices and behaviors. This enables a meaningful assessment of the theoretical explanation behind accountability practices. Additionally, the balanced sample ensures that none of the hypothesized conditions is underrepresented in the case selection so that enough empirical material on all conditions is gathered.

Two experts in the field of pop music organizations were asked to identify relevant cases, which were then further examined on eligibility for selection. This strategy did not provide cases for all configurations. Hence, the sample was supplemented with eligible cases that represented the vacant configurations. Two cases were selected from the configuration with the most music venues (professional, independent music venues in urban municipalities make up 24,5% of the total set). It was checked that the division between music venues and festivals in the final sample roughly matched the real-world division, which is 69,7% music venues and 30,3% festivals. Lastly, it was made sure that the selected cases were roughly spread across the country in order to ensure a geographical balance.

Methodology

Semi-structured, face-to-face, expert interviews were conducted for this study. The interviews lasted 67 minutes and 29 seconds on average, ranging from 48 to 103 minutes. All interviews took place at the interviewee's workplace. The interviews were conducted in two waves. In the first wave, thirteen interviews were held with the pop music organization directors, of which nine interviews with music venue directors and four interviews with festival directors. In the second wave, the corresponding municipal accountholders were interviewed. Accountholders were identified at the end of each interview with directors by asking who they considered to be their primary accountholder within the municipal organization. In total, eleven interviews were conducted with municipal accountholder. All interviews were recorded and transcribed. Each respondent is assigned a code for reasons of anonymity (see table 4). All quotes are translated from Dutch to English. Data was analyzed qualitatively with software program NVivo, version 11.

TABLE 4 CATEGORIZATION OF CASES

Director ID (gender)	Accountholder ID (gender)	Geography	Dependence	Professionalism
MV1 (M)	AH1 (F)	Urban	High	High
MV2 (M)	AH2 (F) ³	Urban	High	Low
MV3 (F)	AH3(M)	Urban	Low	High
MV4(M)	AH4 (M)	Urban	Low	High
MV5 (M)	AH5 (M)	Urban	Low	Low
MV6 (M)	-	Rural	High	High
MV7 (M)	-	Rural	High	Low
MV8 (M)	AH8 (F)	Rural	Low	High
MV9 (M)	AH9a (F) and AH9b (F)	Rural	Low	Low
FE1 (M)	AH10a (M) and AH10b (M)	Urban	-	-
FE2 (M)	AH11 (F)	Urban	-	-
FE3 (F)	AH12a (M) and AH12b (F)	Rural	-	-
FE4 (F)	AH13 (F)	Rural	-	-

Measures were taken to higher the response rate. An information email was sent by VNPF to selected pop music organizations to inform the directors about the research. Subsequently, directors were kindly asked to participate in the research. A reminder was sent after one week to directors that had not replied yet. Nevertheless, two directors did not respond to the initial invitation or the reminder. Substitute cases were selected with the same contextual conditions (i.e. geography, dependence, professionalism). Moreover, not all municipal accountholders were willing or able to participate. One accountholder just left the organization and was not yet replaced. Another accountholder did not want to participate because of the political sensitivity of the subject.

³ MV2 and FE2 are based in the same municipality. Consequently, AH2 and AH11 work for the same municipality. The accountholders were interviewed separately.

Findings and interpretation

This section presents the empirical findings. First, an overview of the found accountability practices is given. As expected, elements of all three theoretical perspectives were found. However, it appears that the found accountability practices are generally aligned with the tenets of stewardship theory. Subsequently, the hypotheses are discussed in order of the three accountability phases: information, discussions and consequences. Organizational behavior is found to be generally aligned with the prescriptions of stewardship theory. However, municipalities and pop music venues sometimes deviate from the prescriptions of stewardship theory. It appears that reputational motivations are the most reasonable explanations for these deviations. Lastly, the conditions are discussed that foster the reputational motivations of pop music organizations and municipalities.

Diversity of accountability practices

As expected, elements of all three theoretical perspectives were found in the examined cases. Table 5 shows the diversity of accountability practices in all accountability phases. This diversity is even present within a single accountability relation. For example, one director states the following about how the municipality uses external monitoring to check on the pop music organization,

“He [accountant] wants to see a booking confirmation or contract for 5% of the acts, for example. He wants to see a flyer or poster, an invoice or receipt and payment. I am working on that right now. I must deliver that to him no later than tomorrow. On basis of this, he can make an assurance report with a reasonable degree of certainty. This [report] then goes to the municipality.” – MV2

This practice is clearly aligned with agency theory (hypothesis 2a), as the municipality imposes very detailed information systems that significantly limits opportunistic behavior. However, the accountholder describes discussions with the music venue as “really a dialogue. We really do it together and you also need those two sides to do it effectively or efficiently” (AH2). This view is clearly aligned with stewardship theory (hypothesis 3b). At the same time, the accountholder recognizes that a good reputation is an important organizational asset. According to her, reputation has a profound impact on the decision-making regarding the allocation of future budget cuts, which is clearly aligned with reputation theory (hypothesis 4c). In the words of the accountholder,

“Fortune favors the bold (...). You must as an organization be able to show what your importance is... Why that city cannot be without you. And why you cannot do with less [funding] or if there comes less [funding], what the city then misses out on. Thus, a strongly profiled, not too modest, organization will have less risk to become the victim [of budget cuts].” - AH2

TABLE 5 DIVERSITY OF ACCOUNTABILITY PRACTICES

	Agency	Stewardship	Reputation
Information: Account-giving	<p>“He [accountant] wants to see a booking confirmation or contract for 5% of the acts, for example. He wants to see a flyer or poster, an invoice or receipt and payment. (...) This [report] then goes to the municipality.” – MV2</p>	<p>“Personally, I always see it like you must foremost be busy with building trust, reciprocal. At a certain moment you must then give that a place. So [that is] in fact what we are doing right now. (...) You must [leave] that formal side a little bit... [It] doesn’t need to be on paper, because it basically doesn’t matter all that much to me.” – FE2</p>	<p>“Our municipal executive finds inclusiveness important. I wanted to show him how [name of show with non-western music] lands here. So, I invited him a few times for that. [Unfortunately], he couldn’t come yet. I don’t have anything to discuss with him then, but I just want him to see it (...) because I think that he still has a very wrong image sometimes... [he] thinks too lightly about [inclusiveness].” – MV3</p>
Information: Account-holding	<p>“A situation becomes a problem in particular if it has financial consequences. Yes, that is the big problem.” – AH1</p>	<p>“The basic attitude is not control, but the basic attitude is trust.” – AH5</p>	<p>“When he [municipal executive] politically has something to do with it, when he politically might be at risk, that is where you have to prepare him for. I must have that information and pass it on [to him]. The rest, yeah, does not matter.” – AH4</p>
Discussions	<p>“Then they come up with 600 questions that you also must answer.” – FE4</p>	<p>“You aim for a [certain] number of visitors. Do you reach that or not? First year [they did], second time [they did] not. So, yes, it is as it is. So, it is more a guideline for discussion.” – AH8</p>	<p>“Previously, [name of festival] literally had to compete with other cultural organizations when it came to the allocation of money. (...) I recently attended [the meeting where the allocation of funds for] the most recent cultural [policy] term [was discussed]. It is no longer a point of discussion. That’s just fixed. (...) It’s just: that is [name of festival]!” – AH10a</p>
Consequences	<p>“A number of criteria are required for the [permit] application. One of those things is that they had to pay a deposit for the 2018 edition. At the moment that the terrain is very neat, or they repair it themselves in accordance with our values, they will get the money back. Otherwise, it must be partly deducted from that.” – AH12a</p>	<p>“I think I have a good relationship with them. I hope they also see that we are nothing without them and that we realize that. I try to tell that to them as much as needed. Because I really think they do a great job.” – AH11</p>	<p>“While the budget agreement stated that I had to do 88 [shows] per year... I only did 54 [shows]. We ended exactly with [a financial result] of 0. So, then I really got [to hear] that I was a prophet. (...) But on that basis, none of them, including the alderman, said that I did not comply with my budget agreement. No one. Not in the city council. They were all cheering that we had no financial problem.” – MV4</p>

Notwithstanding the diversity of the accountability practices, the found accountability practices are overall mostly aligned with stewardship theory. Conditional factors like a lack of competition, the long timeframe of the relations and low task measurability (Davis et al., 1997; Eisenhardt, 1989; Van Slyke, 2006), all contribute to this finding. The accountability relations are characterized by goal congruence, a focus on performance enhancement and mutual trust. First, goal congruence enables a cooperative relation wherein the municipality and the pop music organization collaboratively strive to attain collective goals. For example, one accountholder states, “I think that the [cultural] organizations and [the municipality] have the same goal, namely making the city more beautiful” (AH11). Directors express similar views, “we just want to do what we think is good and what the city needs and what we are asked for” (FE2). This quotation nicely captures how organizational goals (“what we think is good”) are perceived to be aligned with the public interest (“what the city needs”) and the interests of the municipality (“what we are asked for”).

Secondly, accountability relations focus on performance enhancement. Partly, this is done in order to overcome goal displacement problems resulting from agency-type formal practices. Although agency-type accountability practices are used, municipalities and pop music organizations alike debunk their importance. For example, a director states, “goals are indeed (...) quite quantified and that is not what we always aim for. It is not about numbers. We want a program as beautiful and broad as possible” (MV7). Accountholders also put greater value on intangible results than on measurable, quantitative results as an accountholder explains, “For years we have made agreements about the number of visitors and the number (...) of shows, concerts and dance. These can be measured quite concretely, of course. But in the end, it is not about that. It’s about: What do you mean for the city and what do you add to the city?” (AH4).

Thirdly, the accountability relation is characterized by a high level of mutual trust. For example, one accountholder states, “the basic attitude is not control, but the basic attitude is trust” (AH5). As municipalities and pop music organizations often engage in long-term relations, they deem it beneficial to build a bond of trust (see also Davis et al., 1997; Van Slyke, 2006) as this director explains, “you can always agree with each other (...) to see each other only when things are not going well. That is of course not... that way you do not build trust. If you are dealing with each other for a long time, you better make sure you slide [information] back and forth” (FE2).

These characteristics of the accountability relation foster stewardship-type practices and reduce the need for agency-type practices, such as external monitoring, hierarchy and ensuring formal compliance (Davis et al., 1997; Eisenhardt, 1989). When both the actor and the forum choose to create a stewardship situation “the mutual gain resulting from this state of fit are high” (Davis et al., 1997, p. 39). This appears also to be the case in the examined relations. On the one side, accountholders benefit through a more “enjoyable” (AH4) and “effective and efficient” (AH2) way of working and the availability of useful information. On the other side, pop music organizations benefit through enhanced autonomy and discretion.

Now that the general contours of the examined relations have been sketched out, a more detailed description is given of the mechanisms and conditions that explain the behavior of pop music organizations and municipalities.

Information: Account-giving

Account-giving is generally perceived as an appropriate practice, which should be done irrespective of reputational or financial consequences (hypothesis 1b). For example, a director states about financial accountability that “being accountable is fully embedded in the company. It is public money and actually in our mission is stated that we basically want - no matter how strange it sounds - no subsidy. (...) If it can be done more efficiently, then we should just do that” (MV4). It appears that the receipt of public funding enhances the appropriateness of account-giving practices. Directors especially emphasize socio-cultural norms regarding account-giving, that is, they want to honor informal mutual agreements (Karsten, 2015). In the words of an outspoken director, “I just do not like codifying everything. You must damn know what you have to account for. You must fulfil agreements, so I give account” (MV4). Another director expresses similar views and also emphasizes that he deliberately tries to overcome the information asymmetry, “you [accountholders] don’t know what we do, but you give a lot of money to us – to put it like that – so let us at least inform you about what we do with it” (MV6). This practice clearly opposes agency theory as this theory would expect that the information asymmetry is exploited to benefit individualistic interests (Niskanen, 1971).

Furthermore, pop music organizations have internalized norms that are associated with good accountability practices such as responsibility, transparency and honesty. Directors state that public funding comes with extra responsibilities, such as being open to a wide public instead of serving a particularistic group (Smith & Lipsky, 1993). A director states, for example, “there is tax money in it, so everyone is welcome in fact” (MV8). Moreover, directors feel that they must be “very transparent” (MV4) as this director explains, “we are a fairly open organization. That is also what we want to be. We receive public money, so I think that we must be [open]” (FE3). In addition, unlike the respondents in Dicke’s study (2002), directors feel that they must be honest about their performance. In the words of a director,

“I do think you should be honest in any case. Yes, your story should also be true. You can fool everyone. I can also state that we have had fifty thousand [visitors] instead of twenty [thousand visitors]. That is not very useful because it looks very nice in the newspaper, but it is not based on anything. So, I think it is also our task that we are honest about numbers.” – MV9

A different pattern emerges when account-giving relates to core tasks of pop music organizations. Overall, the expectations of the municipality on core tasks of pop music organizations are weakly defined. Partly, this is regarded inappropriate (see Mangset, 2009; Overman, 2017), but it also seems that many municipalities struggle to construct a clear vision on what is expected from pop

music organizations (the directors of MV4, MV6, MV9 FE3 and FE4 expressed such views). The lack of strong expectations on core tasks bears considerable risks as this director explains,

“There is no feeling that we are making culture together in [name of municipality]. Yes, we do have a music venue, we have a theatre, we have a library and we have a [name of local museum]. Those exist, but there is no idea what [name of municipality] wants and that is, as I say, dangerous. (...) I think it is dangerous if it is not about content. Sure, if something were to happen to the subsidy (...) and [name of music venue] would quit, then you would get a social movement. So, it will not happen that fast, but I think it's weird that you just only talk about a few numbers (...) and never about content and where we all want to go.” – MV9

This director fears that the municipality does not recognize the value of the pop music organization because of lacking scrutiny of core tasks. Simultaneously, the director thinks that the recognition from other audiences can work as a defense mechanism against sanctions from the municipality. The “social movement” would function as a coalition of esteem, which empowers the actor vis-à-vis its principal (Busuioc & Lodge, 2017, p. 94), to counter negative judgements.

Pop music organizations do not only recognize the risks of weakly defined expectation on core tasks, but also try to mitigate these risks by proactively giving account on core tasks to strategically selected audiences (hypothesis 1c). The most occurring proactive accountability practices is the invitation of important audiences to attend carefully selected activities. Pop music organizations organize such site visits to present themselves in a positive light (see Busuioc & Lodge, 2017). Site visits can make accountholders “feel” (FE1) what is going and are, therefore, considered to be much more effective than other forms of proactive accountability. Moreover, directors use site visits to correct undesired expectations. For example, one director tried to manage the expectations of the municipal executive by showing a specific aspect of the organization. In the words of the director,

“Our municipal executive finds inclusiveness important. I wanted to show him how [name of show with non-western music] lands here. So, I invited him a few times for that. [Unfortunately], he couldn't come yet. Then I don't have anything to discuss with him, but I just want him to see it (...) Because I think that he still has a very wrong image sometimes... [he] thinks too lightly about [inclusiveness].” - MV3

Proactive accountability functions here as an instrument to align the expectations of the municipal executive with the desired reputation of the music venue. The same director states that the municipal executive “seeks examples” and that a site visit provides “a stage” for that. Site visits provide an effective instrument for reputation management because the conditions are malleable. For example, Dicke (2002, p. 460) found that in the case of a state agency on disabilities, forty percent of the accountholders thinks that “conditions on-site are “staged” for visits by monitors”. As Koop (2014) notes, proactive accountability tends to have a more flexible nature compared to statutory obligations. In this case, it appears that proactive accountability through a site visit provides the right conditions to challenge the undesired expectations of principals.

Information: Account-holding

Formal information systems are used in all cases (hypothesis 2a). All pop music organizations must send their annual account and annual report to the municipality. In most cases, additional formal information systems were used such as monitoring meetings, performance metrics, visitations, evaluation reports and client satisfaction research. Nevertheless, these practices seem to be only minimally important. First of all, as there is high trust, it is deemed unnecessary to impose strict information systems as this accountholder explains, “I’m really not going to [check them] in very detail. No, you can expect them to be professionals and that they also act accordingly. You must have trust” (AH9a). Secondly, there is often frequent informal contact between accountholders and pop music organizations. Directors and accountholders hold different kinds of informal meetings, such as coffee meetings for catching up and ad hoc meetings for substantive topics. They communicate through various communication devices, such as emails, WhatsApp messages and phone calls. Accountholders view relationship management as a core task, “you are just trying to maintain a good relationship. Starting from the relationship, you get things done” (AH8). This frequent informal contact enhances mutual trust and the exchange of information which, in turn, reduces the reliance on formal information systems. For example, one accountholder states that he has “the type of contact that if there is really something, [he] would be informed” (AH5). Hence, accountholders “are actually never surprised” (AH10a).

Furthermore, municipalities provide considerable autonomy and discretionary space to pop music organizations (hypothesis 2b). They are free to fill in contract goals according to their own insight. An accountholder states, for example, that “the municipality does not get to decide about how [to do it]. They [municipality] decide about what [to do]. The implementing organization decides about how [to do it]” (AH13). This indicates the use of outcome-oriented goals as prescribed by stewardship theory (Eisenhardt, 1989). In another municipality, it was decided to give extra funding to the festival so that the festival could “play a pioneering role in pop music sector”, but the expected outcomes are “very open” (AH10a). The authorization of autonomy and trust-based oversight are clearly in line with the tenets of stewardship theory.

A different pattern emerges when core competencies of the municipality are endangered. As it is deemed inappropriate to hold pop music organizations to account on performative aspects (see Mangset, 2009), municipalities tend to focus on procedural aspects of the accountability relation, such as the extent to which rules and financial guidelines are correctly followed and the governance of pop music organizations. These aspects can be considered as non-core tasks of pop music organizations (see Overman, 2017), but they are core tasks for municipalities. Failure to hold pop music organizations successfully to account on procedural aspects could significantly damage the reputation of the municipality.

It was found that municipalities might intervene and hold pop music organizations to account through formal and informal accountability practices if they sense arising issues relating to procedural aspects (hypothesis 2c). In the case of a looming reputational risk, accountholders quickly “scale up” (AH4) the accountability regime. For example, accountability is no longer rendered to the regular accountholder, but directly to the municipal executive. Moreover, the frequency of meetings and the exchange of information is temporally intensified. An illustrative example is a case whereby the municipality became actively involved in the governance of a music venue after a breach of trust had arisen between the foundation board and the director. The director of that music venue states,

“So, we [municipal executive, high-level public managers and the music venue director] have consultations every two weeks so that the municipal executive can also justify to the [municipal] council what the role of the municipality is in this. Because a municipality is in fact not allowed to play a role in this, (...) because a foundation board is autonomous” - MV6

Municipalities sometimes go beyond institutional boundaries (see Busuioc & Lodge, 2017) to oversee the behavior of pop music organizations that form a reputational risk, as the last sentence of the previous quotation already shows. This is even more evident in the case of a music venue where almost all members of the supervisory board resigned at the same time. Formally, the municipality has no obligation or rights to interfere in the succession of supervisory board members. Nevertheless, the resignation of the supervisory board members led to an increased level of oversight and sparked a discussion about the governance of the music venue. In the words of the accountholder,

“Their entire supervisory board was gone, for example. All at once. Well, we found that a bit alarming. What is going on there? So, then we started discussions with the director. (...) Many discussions. (...) The municipal executive has also had discussions, especially with the director and with the old supervisory board and with the new supervisory board. (...) The discussions were actually mainly [about] the governance. So, that there had to be a new supervisory board. What role does such a supervisory board have? Why did these other supervisory board members disappear one by one? And in general, what goes well at [name of music stage] and what could go better? So, you have that kind of discussions with each other.” - AH8

This high level of oversight is exceptional as the accountholder explains, “in the period that that [governance problem] was happening, then that is really your main topic for a while, but now [it is] not at all” (AH8). This indicates that accountholders allocate their time and attention very pragmatically and invest their limited resources in the accountability relations with the highest reputational risks. It also implies that when a reputational risk in a specific accountability relation is successfully mitigated, the relation can return to the status quo, which in this case is a stewardship-type, trust-based relation with considerable autonomy for the pop music organization. The dynamical aspect of the observed practices is particularly interesting as it points to volatility of reputational incentives (Carpenter & Krause, 2015). Agency- and stewardship theory assume that accountability behavior and practices result from a relatively stable set of incentives (Van Slyke, 2006), but reputation theory assumes that accountability

behavior and practices are ultimately derived from the fluctuation of reputational incentives (Carpenter & Krause, 2015). The latter is found to be the case here.

Discussions

The altruistic disposition of pop music organizations gives room to an “open” (FE1) or “accountability” (AH2) dialogue between pop music organizations and municipalities, wherein the aim is to create “mutual understanding” (FE3). Discussions are thought of as a “two-way street” (AH9a), which closely links to what Whitaker *et al.* (2004) have labelled mutual accountability. The discussion as dialogue is “very much focused on just developing that city together” (AH5). This view is clearly aligned with the tenets of stewardship theory (hypothesis 3b). The focus on long-term performance enhancement in discussions is also reflected in the durability of contracts that is concluded. Most contracts last for four years.

Moreover, pop music organizations are seldom questioned in detail by the municipality. Accountholders use failure to meet agreed goals as the basis for a discussion with the pop music organization rather than as a reason to sanction failing agents as this accountholder explains, “you do indicate a target value, whereby you expect that if they do not achieve it, they will explain why it was not achieved” (AH1). This view is echoed by directors. For example, a director states, “the main point is that there is a good dialogue between the municipality and us in which we can simply explain what is going on” (MV8). Explanatory statements (see Benjamin, 2008) by pop music organizations are usually accepted as this accountholder explains, “if they do not realize it [agreed goals], (...) they must explain that and often we can agree with that [explanation]” (AH9b). Hence, discussions on failure to meet agreed goals are more likely to result in changed expectations on the side of the municipality than in consequences for pop music organizations (see Benjamin, 2008).

A different pattern emerges in discussions outside the direct principal-agent relation (see Romzek *et al.*, 2012), as pop music organizations then strategically manage their reputation vis-à-vis multiple audiences (hypothesis 3c). Specifically, directors refer to “stories” as an instrument to disseminate information in a network of audiences. A striking example is a music venue that donates depreciated equipment to another local music venue in order to enhance the overall quality of the local music scene. Partly, this practice is motivated by altruistic values, which is in line with stewardship theory, but the director also uses this practice for reputation management purposes as he makes sure that the Mayor and Municipal Executive hears about the “story (...) through the grapevine” (MV5). If pop music organizations and municipalities live parallel lives (Busuioc & Lodge, 2017), directors are particularly active in the dissemination of their story to audiences. In the words of the director of a music venue were scrutiny is “thin”,

"It starts absolutely, I believe, with continuously explaining and showing what you do. '50 years of [name of music venue]' is a very nice stepping stone to do that. We just started with that... So, to just continuously (...) tell your story everywhere." – MV9

This view is echoed by a director of a music venue who describes the relation with the municipality as "live and let live",

"I think it's good to tell the story as much as possible (...) [in order] to get inside the head of people, well, [of] stakeholders that [name of music venue] also exists and is also important." – MV7

Accountholders recognize the effect of informally disseminated information in network settings on the perceived performance of pop music organizations. Accountholders describe information that they receive informally often as "signals". Some accountholders describe signals as "fire alarms" (McCubbins & Schwartz, 1984), which would be in line with agency theory, but accountholders also perceive signals as containing essential reputational information (see Gugerty, 2009) as this accountholder explains,

"They [music venue] had a budget shortage and they wanted to raise 15.000 euro with crowdfunding. The fact that they succeeded within 3 weeks [and] that they got above the target, that gives me a very important signal about how much [name of music venue] is supported among their visitors and that it has such an important function for people. Funny enough, as I understand from [name of director], [there is] actually much more [support] outside [name of municipality] than in the center of [name of municipality]." – AH2

The accountholder, thus, uses the signal as a measure of support for the music venue among its audiences. In this sense, accountholders use informally received information as a credible signal of the virtue of pop music organizations (see Gugerty, 2009, p. 244). Accountholders receive information from many actors, including partner organizations of pop music organizations, other cultural organizations, the supervisory board, volunteers, (social) media, the municipal council, local residents, local businesses and colleagues. Accountholders do not passively wait to be informed by one of these actors. Instead, accountholders use their good contacts with network organizations to obtain reputational information on their accounts. In the words of an accountholder,

"You also hear a lot of stories from colleagues and people sometimes say things to you. (...) What I also have done in the beginning is do a round of calls to partners of [name of music venue], other partners in the city or organizers [of cultural events]. Just call [and ask] like: "What do you think of the cooperation [with the music venue]?" To get a little more feeling from multiple sides." – AH8

As signals in the network of pop music organizations form an important part of the assessment by accountholders, it is far from surprising that they try to influence these signals by the dissemination of positive stories among relevant audiences.

Consequences

Pecuniary sanctions are included in almost all formal arrangements (hypothesis 4a). However, usage of pecuniary sanctions or contract determination is often not considered as a realistic option for correcting failing pop music organizations, because of its counterproductive effects on future performance of the organization and collective goals in general. Accountholders emphasize that pecuniary sanctions are only included in formal arrangements to provide a legal basis in case of unlawful conduct, prolonged failure to meet agreed goals or extreme malperformance. In other words, accountholders consider pecuniary sanctions only as a “measure of last resort” (AH4; see Van Slyke, 2006, p. 181). Consequently, the attitude of the municipality is described as “fairly lenient” (MV8) and “not very strict” (AH1). Pecuniary rewards are not used in any of the examined cases.

Nonpecuniary rewards and sanctions are more often used (hypothesis 4b). Nonpecuniary rewards range from little things like mentioning that the effort of pop music organizations is appreciated or sending the mayor to an event for a speech to bigger things like concluding a long-term contract agreement instead of giving ad hoc subsidies. Nonpecuniary rewards are deemed important for relation management as this accountholder notes, “I hope that they also see that we are nothing without them and that we realize that. I try to say that often enough, because I really think they are doing a great job” (AH11). As accountholders are generally very satisfied about the performance of pop music organizations, nonpecuniary sanctions are not much implemented. However, accountholders speculated that failure to meet agreed goals could lead to a reduction in the level of trust and autonomy. The use of nonpecuniary rewards and sanctions is in line with the tenets of stewardship theory.

A different pattern emerges when the implementation of sanctions and rewards, or the lack thereof, has considerable reputational consequences for the municipality (hypothesis 4c). The usage of sanctions and rewards appears to be mediated by perceived reputational consequences for the municipality. In line with earlier findings (Dicke, 2002; Schillemans & Busuioc, 2015), support for the implementation of sanctions is often lacking which can lead to forum drift. This is most striking in the case of a financially troubled music venue that managed to contain the financial deficit by shirking its formal goals. In the words of a director,

“While the budget agreement stated that I had to do eighty-eight [shows] per year... I only did fifty-four [shows]. We ended exactly with [a financial result] of zero. (...) But on that basis, none of them, including the municipal executive, said that I did not comply with my budget agreement. No one. Not in the city council. They were all cheering that we had no financial problem.” – MV4

The expectations of the accountholders and the members of the municipal council clearly contradict with the formal goals. The remark that involved stakeholders “were all cheering” is essential in this anecdote as it closely links to the metaphor of the theatre (Goffman, 1959). The cheering is a sign of approval (van Erp, 2008) similar to an audience that enthusiastically applauds for actors after an

outstanding performance. Thus, not only does the municipality drift away from its obligations (see Schillemans & Busuioc, 2015), it even provides a reputational reward for failing to meet formal goals. Reputation theory provides a reasonable explanation for this behavior. As ensuring financial accountability of pop music organizations is a core task of the municipality, financial problems are likely to be a greater reputational risk for the municipality than scant program effectiveness. This indicates that reputational motivations are indeed an important factor in the extent to which sanctions and rewards are implemented (see also Dicke, 2002; Etienne, 2015; Schillemans & Busuioc, 2015).

The usage of rewards appears to be mediated by the perceived reputational consequences for the municipality. Rewards are particularly given to pop music organizations on which the municipality is depended for its own reputation. As there is goal congruence in the examined cases, municipalities have an incentive to protect and enhance the reputation of important pop music organizations as a good reputation is an essential organizational asset for the attainment of shared goals (Busuioc & Lodge, 2017). For example, one municipality formed a “coalition of esteem” (Busuioc & Lodge, 2017) with stakeholders of the festival to support a bid by the festival for a large European Union grant. This support functions as a sign of approval (van Erp, 2008), which was actively promoted among relevant audiences as the accountholder explains, “we have formed really a strong lobby towards all those bodies that we could influence” (AH10a). This effort seems irrational, as lobbyists are costly and there are no direct financial gains for the municipality. However, municipalities recognize the reputational value of blooming pop music organizations. For example, the same accountholder states that they have “gold in [our] hands with [name of festival]” (AH10a), which makes the organization “without discussion” (AH10a). Another accountholder describes the music venue as “the signboard of the city” (AH5) and multiple municipalities promote pop music organizations through their city marketing. This finding contrasts the prescriptions of reputation theory. It appears that a high commitment to an accountability relation does not always lead to “intensive heat” (see Busuioc & Lodge, 2017), but could also lead to a “close friendship” when reputational interests are shared.

Conditions

Besides the four hypotheses on expected accountability behavior in the three accountability phases, three hypotheses were formulated relating to conditions that could influence the predictive power of the three theories. The findings on these three hypotheses are presented in the next section. Additionally, three more relevant conditions were found. These are presented thereafter.

Geography

It was expected that urban municipalities would rely more on agency-type accountability practices because there would be more competition among providers and there would be less effective information dissemination through informal contacts (hypothesis 5). First, competition was generally lacking irrespective of the size of the municipality. For instance, in the largest municipality they

launched a tender for a new music venue, but they decided not to go through with it because of a lack of good bids.

Secondly, regarding the effective dissemination of information, there seems to be a difference between urban and rural municipalities. As expected, “almost nothing can be kept secret” (AH9a) in rural municipalities, because of the limited size of the community. Information is effectively disseminated through various forms of informal mechanisms as this director explains, “Everyone has children who come here or whatever. Everyone is enthusiastic. Everyone is very positive about that. That is of course also a sound that permeates the municipality” (MV8). Moreover, it is easier to be heard by relevant audiences in rural municipalities because there is not so much competition for attention as this director explains, “[name of municipality] is not so big. (...) It is fairly easy to get picked up if you use media in the right way” (MV9). The effectively dissemination of information in rural municipalities has a profound impact on the reputation as this director explains, “because [name of music venue] used to be a youth center and [because this] is a fairly small community, there were already quite a lot of perceptions from the beginning” (MV7).

In contrast to hypothesis five, urban municipalities also rely on information dissemination through networks. The difference between urban and rural municipalities lies in how the network is organized. The network in rural municipalities is unorganized, whereas the network in urban municipalities is often purposively established. Urban municipalities design their cultural policy according to “chains” (AH4) or “pillars” (AH10a) to stimulate collaboration between different subsidized cultural organizations, which fosters informal accountability practices among network partners (Romzek et al., 2012). This is further enhanced through network meetings, wherein information is exchanged, and questions are posed as this accountholder explains,

"You now also have the [name of municipality] music consultation. (...) It is very nice that that [consultation] is established. (...) It now exists for four years or so. (...) We have a consultation structure as municipality where we can provide input or ask questions to the entire music sector at once. Because it is sometimes quite complicated to hear and speak to everyone." - AH3

Dependence

It was expected that a low dependence on the municipality would increase the likelihood of accountability practices prescribed by reputation theory, whereas a high dependence on the municipality would reinforce the role of the municipality as principal and lead to accountability practices prescribed by agency- and stewardship theory (hypothesis 6). First, directors are very much aware of their dependence on a single funder. For example, one director explains that the municipal subsidy “is about forty percent of our budget. So, in those discussions with the municipality (...) it also comes to the fore (...) that it is important for our survival. (...) It is, of course, also a certain independence that you strive for, but in practice that does not really exist” (MV2). Moreover, accountholders feel that they should adjust their expectations to the amount of subsidy they give to an organization. It is considered

inappropriate to have predetermined and detailed expectations if the dependency is low. Consequently, it appears that that dependence on a single funder correlates with the level of hierarchy between the municipality and the pop music organization. In the words of an accountholder,

“Those are not really decrees that we impose. (...) Not even at all. That also has to do with the amount of (...) subsidy. It is so insignificant relative to the total budget that they would also survive without us, you know? But we do have a mutual interest. (...) We will then not make it completely watertight. We remain constantly in dialogue about what we can expect.” - AH10a

When pop music organizations are depended on a single funder, they tend to give more weight to the expectations that this funder. The expectations of that funder are then considered to be legitimate and appropriate. This strengthens the role of the municipality as principal. For example, a director states that they receive “more than two million [euro a year], so you ought to do something in return. That is actually how we can exist” (MV1). Moreover, detailed expectations are considered as inappropriate if dependence is low as this director explains,

“We now have a coverage [from public funding] of seven percent. The average large organization gets twenty-six percent, you know? That is always a thing for me that everyone should have inside their head. The municipal executive occasionally says: ‘I think you should do this’. (...) Then I laugh like this [smiles ironically] and I say: ‘Yes, but do you remember that you only pay a few percent?’ So, when I get that is inside everyone’s head, they have less demands on things that we do not support.” - MV5

Professionalism

It was expected that accountability relations of professional pop music organizations would particularly display accountability practices prescribed by stewardship- and reputation theory, while less professional pop music organizations would be faced with agency-type accountability practices (hypothesis 7). A few directors state that a professional appearance facilitates a good accountability relation, however, directors define “professionalism” very broadly, such as fulfilling agreements, being critical or organizing shows. Moreover, accountholders do not seem to use professionalism as an indicator of goal alignment or problem-solving capacity (cf. Suárez, 2010). A possible reason for this finding is that volunteers are often involved in routinized tasks, such as bar tending, where a process of professionalism is unlikely to improve the quality of the service, while administrative and managerial tasks are performed by paid staff. In fact, some accountholders of less professional pop music organizations perceive the involvement of volunteers as a virtue and a signal of support by the local community.

Past scandals, audiences and organizational age

In addition to the three hypothesized conditions, three other conditions were found to be determining factors that help to predict which theory prevails. These conditions are past scandals, audiences of the municipality and organizational age.

Past scandals

If the municipality experienced a scandal in the past wherein the municipality had failed to hold a cultural organization successfully to account, this appears to have an enduring effect on all accountability relations within that municipality (see also Bertelli & Busuioc, 2018, pp. 12–13). New formal accountability obligations are implemented for all cultural organizations in the aftermath of the scandal, leading to a stricter accountability regime. For example, one accountholder states that “because things did not go completely right a couple of times, we now want to go a bit deeper into it and want to be stricter about it” (AH4). Directors deem such measures annoying as this director explains,

“The only thing I just do not like is the formal side of it (...). The fact that a few things went wrong in the city... I do not know how that goes in other cities, but that is really passed on to everyone. In the sense that you are actually constantly busy with that [formal side]. While, I am more in favor of starting a relationship with each other.” – FE2

Interestingly, both accountholders in the municipality of this annoyed festival director refer to the same scandal as the cause of the relatively strict and formal accountability regime. One of those accountholders states that the balance between formal oversight and trust might tipped even over “to the other extreme” (AH11). The other accountholder in that municipality states that, since the scandal cultural organizations must fill in a “whole checklist”. She explains,

“They must submit a retirement schedule and a profile of the board. They must state whether they have reappointed [board members] this year. These are all developments that we never did. It was the responsibility of the organizations and I still think that it should be their responsibility. But we are now checking a lot more often whether they actually do it. We check whether the statutes are still up to date or whether there are no odd things in it. (...) Things like that have come to our attention since there have been problems.” – AH2

The setup of additional information systems after a scandal is in line with agency theory as it reduces the information asymmetry, which makes it easier to detect shirking pop music organizations. However, reputational motivations seem to be at least as important here, as such measures have a significant symbolic value. The accountholder states that the scandal was “a big and quite a public thing” (AH2). In such a case, municipalities need to show to important audiences – the municipal council, local media, cultural organizations, the general public and so forth – that they are capable of performing their obligations. The municipality is determined to repair the damage that is inflicted by the scandal (see Maor, 2016, p. 84) and formal procedures provide a perfect signal to these audiences. As Dicke notes, “external control methods give the appearance of upholding accountability in contracting – even when they are ineffective – which, in part, may explain why they are so popular” (Dicke, 2002, p. 468). The use of formal accountability practices has considerable disadvantages as it reduces trust and other mutual benefits (Davis et al., 1997). The annoyance of the director indicates that this is indeed the case here. Although ineffective, the implemented procedures have great symbolic value, which helps to restore the reputation of the municipality as a legitimate and capable principal.

Audiences

Audiences of accountholders have a significant effect on the level of oversight. Accountholders adjust the way of holding pop music organizations to account to the expectations of their audiences, which is in line with reputation theory. This is particularly so if accountholders expect to be held to account for their conduct as a forum by these audiences. An obvious important audience of accountholders is the municipal council. Although the political saliency of pop music organizations is generally not high, accountholders mention that keeping it that way is an important rationale for holding actors to account. An accountholder states, “what are you ultimately afraid of? Yes, I think that it [governance problem] lies not very well politically and in the [municipal] council. A municipal executive wants to be on top of it in time so that it does not go the wrong way” (AH8). Moreover, forum drift might occur as long as political saliency is contained as this accountholder explains, “when he [municipal executive] politically has something to do with it, when he politically might be at risk, that is what you have to prepare him for. I must have that information and pass it on [to him]. The rest, yeah, does not matter” (AH4). In this sense, accountholders are deaf for “fire alarms” (McCubbins & Schwartz, 1984) that are rung but not heard by anyone other than the accountholder (Bertelli & Busuioc, 2018, p. 11).

Other audiences of the municipality in the examined cases include interest groups, local residents, the courts of audit, the complaints committee, the general public, media and courts. These audiences can have a significant effect on how municipalities operate as forum. In one case, a small group of local activists appealed to all permits that were issued for festivals. This affected the relation with the festival in question beyond the court decisions itself as the accountholder explains,

"I just know that because of [what has happened in] recent years and the stricter laws and regulations, well, the lawsuits we have had, the complaints committees... it sometimes makes the cooperation difficult. The organizers [of the festival] sometimes feel that we, as a municipality, maybe deliberately sabotage them. While that is absolutely not the case. Or [they think] that we pull ranks on them while they think like: think practical, because it is all not so bad. In that way, I think that the cooperation has changed." – AH12b

Because the municipality knows it will be held accountable for the issued permits, formal compliance is a top priority. One of the accountholders states that she must work overtime because “everything has to be considered well” (AH12b). The festival director refers to the level of enforcement as “bizarre strict”. As a result of this, the festival hired a lawyer who attends all meetings with the municipality. Interaction in this case follows a pattern of formal monitoring and strict rule enforcement. This story illustrates that very well,

"They [the municipality] had imposed noise restrictions on us. (...) So we had said in advance: 'If you do this, then we will suffer.' Then our party will just end at one o'clock. That is the moment that the dB level had to go down. We have really screamed bloody murder: 'if you do this to us then it will go wrong.' They say: 'No, sorry, we have had too many problems and knowing what is happening with that lawsuit... We are just going to do it.'

(...) That was very annoying. The decision came very late. So, we did not have enough time to get everyone on the same page. So, we had to... our party had indeed ended at one o'clock at night and the whole terrain was empty. (...) Then I even called the municipal executive the same night. Because it all did not go in a relaxed manner. The civil servants simply said like: 'It must stop now.' We [said] like: 'Can't we talk about this?' [But they said]: 'No, it must stop now.' They were turning off the volume themselves so to speak." – FE3

This story highlights that the presence of an audience is one of the determining factors for the management style that is taken. The reputational consequences are high for the municipality because audiences of the municipality will hold the municipality to account for its conduct, leading to a higher “reputational investment” by the municipality (Busuioc & Lodge, 2017). If rules would not be strictly enforced, this might be used by the local activist to damage the reputation of the municipality. Consequently, judges might be less inclined to rule in favor of the municipality if it regards the municipality not capable of enforcing rules and holding actors successfully to account. These audiences function as a “crucial-but-absent” participant (Tacon et al., 2017, p. 700) in the discussion.

Organizational age

Especially younger pop music organizations engage in proactive accountability practices to seek recognition from important audiences (see also Romzek et al., 2012). It appears that younger pop music organization are not yet fully embedded in a network of audiences by whom they are recognized and supported. Consequently, they use proactive accountability practices to acquire a distinctive reputation and build support. For example, the director of the youngest festival states that they have built up “a very large network” (FE3) in recent years. This festival director proactively gives account to both public and private partners in this network “to build support.” In her words, “we also render account to our partners, (...) so that they also know how we spend our money. (...) Then they can also see that their contribution is quite necessary... their in-kind contribution” (FE3). Similarly, the youngest music venue employs proactive accountability practices “to build a sort of personal bond” (MV8) with important stakeholders. For example, the music venue proactively gives account to booking agents by sending them a small evaluation report after every show. On a more general level, the music venue deliberately employs niche-seeking strategies to acquire a good reputation among booking agents, even though this niche position contradicts with expectations of the municipality. The niche position is regarded as so important that expected, positive reputational outcomes of obtaining a niche position prevail above the expectations from the municipality. In the words of the director,

“We saw that [name of other music venue] (...) is regarded as very important by those booking agents. Why? (...) They are in a kind of niche of old punk bands and old metal bands. We thought: 'Look! we have an audience for that too.' (...) So, policy-wise we have now chosen for a bit of a niche for metal. We now also get bands that give exclusive concerts in the Netherlands. So, you have people from England, Belgium, Germany... the municipality does not find it interesting at all. The whole niche story, they really do not want to hear about it. So, let's say when it comes to more policy-related matters... Look! that's important to us because that's how we get in the picture of booking agents. (...) We get a better offer because we are taken seriously by booking agents... because

they see that there are big bands here. Admittedly, a kind of niche program, [but] we think that it strengthens our position. Only, I cannot get it explained to politicians and they do not like it at all. So, we do not say anything about that.” – MV8

Discussion and conclusion

Explaining accountability behaviour

The accountability relation between municipalities and pop music organization is only slightly informed by agency theory. The specific characteristics of the accountability relation foster stewardship-type practices and reduce the need for agency-type practices (Davis et al., 1997; Eisenhardt, 1989). Directors and accountholders speak of a trust-based accountability relation as the desired state of affairs which provides considerable mutual benefits (see also Davis et al., 1997; Dicke, 2002; Schillemans, 2013; Schillemans & Bjurstrøm, forthcoming; Whitaker et al., 2004). Although the found accountability practices are largely in line with the tenets of stewardship theory, important deviations from this model were found. These deviations appear to be informed by reputational motivations. Reputational theory seems to be a promising reply to Van Slyke (2006, p. 181) who notes that “agency and stewardship theories say very little about the degree to which organizational, contextual, and environmental conditions can strengthen and weaken the use and intensity of oversight practices in contract relations” and, therefore, “only explain part of the government-nonprofit relationship” (Van Slyke, 2006, p. 183). A reputation theory of accountability draws attention to the dynamic conditions that form reputational incentives beyond institutional characteristics.

Concretely, the findings from the research interviews suggest that reputational motivations of actors are especially apparent under the following conditions. First, actors that are faced with weakly defined expectations on core tasks are more likely to engage in recognition-seeking behavior. Secondly, actors that are independent of a single funders put more emphasizes on maintaining a reputation among multiple audiences (cf. Koop, 2014; Tacon et al., 2017). Thirdly, younger actors are more likely to display reputational and niche-seeking motivations, as they strive to get embedded in a network of audiences. Furthermore, the research findings suggest that reputational motivations of forums are most apparent under the following conditions. First, forums that foresee reputational risks relating to core tasks of their role as accountability forum are more likely to hold actors to account. This might even be beyond institutional boundaries (see Busuioc & Lodge, 2017). Secondly, forums that experienced a recent scandal wherein they failed to successfully hold an actor to account, are more likely to display reputational motivations as they need to take symbolic steps to repair the reputational damage that is inflicted by the scandal. Thirdly, the presence of relevant audiences creates reputational incentives for forums to perform their obligations. Vice versa, the absence of relevant audiences tends to increase the neglect of formal obligations (see also Bertelli & Busuioc, 2018, p. 11; Schillemans & Busuioc, 2015). These found conditions create reputational incentives for actors and forums which significantly affect accountability behavior. Theories of accountability that incorporate reputational conditions are, therefore, most likely to correctly explain the behavior of forums and actors in accountability relations in the nonprofit context.

Advancing reputation theory

The study findings suggest at least three advancements for reputation theory. First, reputational motivations are highly contextual. Reputation theory is particularly powerful in the explanation of deviations from agency- and stewardship theory. Reputation theory as a single, standalone theory does not (yet) seem to have great predictive power. The strength of reputation theory lies in the fact that it emphasizes that both actors and forums constantly compare the expected outcomes of adhering to the institutional design of accountability relations, based on either agency- or stewardship theory, with alternatives that might provide better reputational outcomes. Reputation theory is a highly context-sensitive theory, which can fill important shortcomings of agency- and stewardship theory (Van Slyke, 2006).

Secondly, as current versions of reputation theory assume a conflict over reputational outcomes, it does not perfectly hold when there is congruence of reputational interests between the actor and the forum. “Intensive heat” (Busuioc & Lodge, 2017) does then not seem to be a logical outcome of high reputational investments. Instead, “close friendship” is a more likely prediction under this condition (Busuioc, 2016, describes organizational friendship between public agencies as a form of bureaucratic cooperation, but the concept can readily be used for organizations in accountability relations as actors and forums are often simultaneously cooperating strategic partners with a mutual responsibility (Whitaker et al., 2004)). As a substantial part of the accountability relations in third-party government display stewardship-type characteristics (Dicke & Ott, 2002; Schillemans, 2013; Van Slyke, 2006; Whitaker et al., 2004), it is worthwhile to consider that forums and actors can have mutual reputation interests (see also Whitaker et al., 2004).

Thirdly, reputation theory is often used to explain accountability failures (Bertelli & Busuioc, 2018; Busuioc, 2016; Schillemans & Busuioc, 2015). However, reputation theory might also provide solutions to accountability problems. Dubnick and Frederickson (2010, p. 156) alarmingly write that “independent of other factors, it appears that hierarchy, standardized procedure, policy directives, and the generally understood features of bureaucratic control are associated with good management and accountability to program goals. This being the case, the contemporary dominance of third-party implementation of federal public policy would seem to suggest that such arrangements bring with them serious accountability challenges. This we believe to be the case.” Based on reputation theory, new solutions can be thought out to mitigate some of the risks that result from third-party implementation. First, reputational motivations might lead to proactive accountability practices which could reduce the need for external control and procedures (Koop, 2014; Reiss, 2010; Schillemans, 2011). Secondly, reputational rewards and sanctions might be more effective than sanctions and rewards based on bureaucratic control in third-party government. Governments should think of ways to increase reputational incentives for nonprofits to enable self-regulation (Becker, 2018; Black, 2001; Gugerty, 2009; Magill, 2008; Ostrom, Walker, & Gardner, 1992; Tremblay-Boire et al., 2016). Reputational

sanctions and rewards can sort much effect, especially in competitive markets, as reputational rewards and sanctions provide a signal to all customers of the actor (van Erp, 2008). As governments often contract with organizations that are depended on multiple governmental contracts and other sources of income (Guo, 2007; Smith & Lipsky, 1993), reputational rewards and sanctions might be very effective. Moreover, reputational sanctions and rewards might even be effective if government delegates to another public organization, as public organizations also seek support and acceptance from relevant audiences (Busuioc & Lodge, 2017).

Social impact

The study findings hold important lessons for practise. The first lesson relates to the importance of a representative, balanced set of audiences that provides reputational incentives for oversight on nonprofits. Unrepresentative audiences could diminish the incentives for principals to oversee the behaviour of the actor (Bertelli & Busuioc, 2018). Moreover, if a very specific type of audience is more powerful than other audiences, the forum is incentivized to tune oversight practices in such a way that it only counters criticism from that specific audience. A second lesson is that institutional arrangements should not be confused with the reality of accountability practices. Public managers that use either agency- or stewardship theory to build institutional arrangements may falsely presume that actors and forums adhere to these arrangements as long as sufficient incentives are built into the institutional design of the accountability relation. However, this study shows that dynamic reputational incentives – which cannot be built into the institutional design of accountability arrangements (Carpenter, 2010; Carpenter & Krause, 2015) – can lead to behaviour that contradicts expected behaviour from an institutional perspective. More attention should be paid to how actors and forums “do” accountability (O’Reilly, Dixon-Woods, Angell, Ashcroft, & Bryman, 2009; Tacon et al., 2017) in everyday life (Goffman, 1959), as the “management of expectations” (Busuioc & Lodge, 2017, p. 91) in accountability relations forms a key challenge for public managers as one of the accountholder explained,

"It's also about expectations management. It may be very strange for an organization if you are making plans or develop strategic visions together all the time and have constructive conversations (...) and everything is going great... and then you give a slap on the wrist as an accountholder." – AH2

Limitations

Three points for further consideration should be mentioned in the context of the research design. First, some authors have argued that agency theory should be interpreted as a family of models rather than a coherent, predictive theory (Gailmard, 2014; Olsen, 2013). Illustrative of this argument is that Gailmard (2014, pp. 99–100) describes the reputation-based perspective as a type of principal-agent model. In this study three ideal-type theories were used which highlight the differences between them rather than their internal complexity. Perhaps, a more nuanced or detailed version of agency- and stewardship theory would be able to explain the observed behaviour better. Falsification of either of the

three theories is, however, not the ultimate goal in this study. Hence, the fact that agency theory does not seem to correctly predict the behaviour of actors and forums in the examined cases does not imply that the theory is invalidated.

Secondly, a specific type of nonprofits was studied. Generalization is therefore not without complications. The absence of direct interaction with clients is an important difference with most nonprofits (Smith & Lipsky, 1993). Furthermore, delegation is an important assumption in agency- and stewardship theory. The extent to which there is clear delegation of task differs between cases. Only in one case it could be said that real delegation happened in the sense that the municipality used to perform the formal task – the organization of the festival – but decided to delegate that task to the nonprofit. In other cases, the municipality was never the formal owner of the task.

Thirdly, the number of examined cases is relatively low. Especially, the number of interviewed accountholders – eleven in total – is limited. The thirteen cases provide interesting insight in the basic interaction between account-giving and account-holding in local nonprofits, but decisive conclusions cannot be reached based on the collected material.

Conclusion and future research

The challenge at hand for students of accountability is to make accountability “work in theory” (Dubnick & Frederickson, 2010, p. 157). This study finds that accountability theories work better if reputational motivations of actors and forums are incorporated. Specifically, the study findings point to the way in which calculated reputational outcomes function as an important interaction variable that mediates the relation between structural features of the accountability relation and accountability behavior. This implies that the institutional design of accountability relations matters as it provides the long-term incentives for the actors and the forums. However, dynamic reputational consequences effectively strengthen or weaken the incentives provided by the institutional design of the accountability relation, which could lead to behavior that seems irrational and unexplainable from an institutional perspective. In other words, actor and forums constantly calculate the trade-off between expected costs and benefits of institution-following behavior and the expected costs and benefits of reputation-enhancing behavior (Deephouse, 1999; Wæraas & Sataøen, 2015).

The findings of this study suggest that theory-builders should focus on contextual conditions that create dynamic reputational incentives for actors and forums besides institutional features and conditions of accountability relations. However, agency- and stewardship theory should not be thrown out the window. A combination of theories is likely to be the most successful in explaining accountability behavior (Dicke & Ott, 2002; Schillemans, 2013; Tacon et al., 2017; Van Slyke, 2006). The particular strength of reputation theory lies in that it accounts for highly contextual and dynamic conditions that create important reputational incentives for forums and actors alike.

A point for further consideration is that reputation theory, due to its focus on the behavioral logic behind accountability practices, is relatively silent on what kind of accountability practices can be

expected. For example, proactive accountability, as a result of reputational motivations, can take the form of agency-type practices such as formal procedures and monitoring (Gugerty, 2009; Magill, 2008; Reiss, 2010; Tremblay-Boire et al., 2016) or stewardship-type practices such as reflexive processes that provide learning stimuli (Schillemans, 2011). Similarly, a forum is likely to use agency-type accountability practices if its reputational investment is high as such practices give the appearance of upholding accountability (Dicke, 2002, p. 468). Hence, reputational motivations could lead to accountability practices that are in line with either agency- or stewardship theory. This further complicates the already complicated demarcation between accountability theories. As Van Slyke (2006, p. 183) notes, “the line between an evolved principal-agent and principal-steward relationship is less precise than desired”. Behavioral research (Grimmelikhuijsen, Jilke, Olsen, & Tummers, 2017) is needed to get a more detailed account of which reputational motivations lead to what accountability practices and results (see for example Becker, 2018).

Moreover, future research should systematically map the conditions that create dynamic reputational incentives for actors and forums. Existing literature has already described important environmental conditions that foster reputational incentives such as media coverage (Maor, 2016) and issue saliency (Koop, 2014), but many potentially relevant conditions have not yet been taken into account. For example, relatively little attention have been paid to the characteristics of audiences, which can have a significant effect on how actors present themselves (Gardner & Martinko, 1988).

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