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Trust and Accountability in UK Charities: Exploring the Virtuous Circle

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ABSTRACT

Public trust and confidence in charities is essential for the achievement of their missions. However, recent evidence suggests that trust in UK charities has been damaged, potentially affecting charities' and the charity sector's sustainability and effectiveness. This paper constructs accountability as an important means of developing, maintaining and restoring trust in charities. Through a series of interviews with charity managers, it investigates the public and private mechanisms used in discharging accountability to, and building trust with, charities' main stakeholder groups. The paper identifies the use of a wide range of mechanisms, often highly tailored to particular stakeholders' perceived information needs, which are seen as critical in this process. It is argued that the use and interplay of these can create a 'virtuous circle' of accountability and trust, where each reinforces the other. It is argued that where this is achieved, trust in individual charities, and the sector as a whole, can be enhanced.

Keywords: Trust, Accountability, Charities, Not-for-profits

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1. INTRODUCTION

The United Kingdom (UK) charity sector has an estimated income well in excess of £70bn, while an estimated 3.6 million people volunteer in charities in England and Wales alone each year (Charity Commission, 2016). It is a sector that, given its size and the nature of its activities, is highly visible in the public consciousness. It relies on the support of a range of stakeholders (including donors/funders, volunteers and the general public), with such stakeholders often expecting that their support will make a positive difference to specific beneficiaries (or a wider public good), and that charities will act in ways consistent with a charitable ethos (Bekkers and Wiepking, 2011; Kearns, 2014; Bryce, 2016). When expectations are not met, scandals can result and trust can be eroded. Indeed, recent events and evidence suggest that public trust and confidence in UK charities has been damaged, potentially restricting the activities of individual charities, as well as undermining the health and sustainability of the whole sector (Hind, 2017).

Accountability can play an important role in developing, maintaining and even repairing trust by allowing charities to demonstrate that stakeholder expectations are being met (Sloan, 2009; Bryce, 2016). In addition, it can reduce information asymmetries that potentially inhibit engagement, input and funding; asymmetries that can hinder the building of trust (Charity Commission, 2009; Prakash and Gugerty, 2010). In the UK charity sector, increasing public trust and confidence in charities is the first, and, arguably, the most important, objective of the Charity Commission (the regulator for England and Wales). Its efforts to promote trust through improving accountability have included significant sector consultation (Charity Commission, 2009) and the development and continuing refinement of a charity Statement of Recommended Practice (SORP) (Charity Commission, 2014)[i].

While much previous research in this area tends to focus on the use of public communications in discharging accountability, the contribution of this paper is distinctive in two ways: firstly, it explores the interconnected and mutually reinforcing nature of both private and public mechanisms in discharging accountability; and then examines the use of an appropriate mix of such mechanisms in building trust between charities and key stakeholders. The paper continues as follows: the next section engages with previous work on trust, accountability and the related concept of transparency to conceptualise how various mechanisms might be used in discharging accountability and developing trust with multiple stakeholders. The methodology is then detailed, before the empirical work (facilitated through semi-structured interviews, focusing on charity managers' perspectives on, and use of, such means in terms of developing trust) is presented.

Conclusions are then drawn on the implications of this for accountability and trust building in the charity sector (and in the wider not-for-profit sector). The evidence of this paper suggests that public and private mechanisms of accountability, rather than being standalone processes, can actually interact, potentially creating a 'virtuous circle', where each reinforces the other through feedback loops, resulting in favourable outcomes in terms of both accountability and trust. It is argued that, managed well, such has the ability to build and protect the considerable and valuable social capital that the sector generates; this has important implications for both charity practice and charity regulation.

2. TRUST AND ACCOUNTABILITY

2.1 Trust

In the context of an expanding and cross-disciplinary literature on trust, Rousseau, Sitkin, Burt and Carmerer (1998, p.395) define trust as 'a psychological state comprising one's intention to accept vulnerability based on positive expectations of the intentions or behaviour of another'. Trust is not, they argue, a behaviour (e.g. co-operation) or a choice (e.g. risk taking) but an underlying state of mind that can cause or result from such behaviours and choices. Trust has been viewed as an essential component of social capital, providing the oil for interactions and associations (Heald, 2006). However, trust may change over time and may take a number of forms. Using Rousseau et al.'s analysis, trust may be *calculative*: based on rational choice and credible information on competence/intentions. Alternatively, trust may be *relational*: deriving from reliability and dependability in previous interactions, and the formation of attachments that may develop into shared identities. Moreover, *institutional* trust is derived from broad supports that sustain it at an organisational or societal level (e.g. legal systems).

Kearns (2014, p.265) argues that: 'without public trust, nearly every other resource that a nonprofit organisation uses to advance its mission will be jeopardised'. While charitable missions focus on beneficiaries (or society at large), the resources to enable charitable activities stem from a range of other stakeholders. In particular, trust is seen as essential to the relationship between charities and their donors/funders, who give not for their own benefit, but in trust that others will gain from their donations (Bekkers and Wiepking, 2011). Moreover, charity volunteers (who contribute essential and extensive human input to a charity) may disengage when trust is undermined. In addition, trust underpins relationships with the wider public (who also may be beneficiaries, donors and/or volunteers) and it is this stakeholder group that, ultimately, is the source of tax benefits (Bryce, 2016). Even beneficiaries, perhaps the least powerful stakeholders of all, tend to disconnect where trust is lost (Kearns).

Some of the drivers of trust in charities include: ensuring that a reasonable proportion of donations make it to the end cause; being well managed; ensuring that fundraisers are honest and ethical; making independent decisions to further their cause; and making a positive difference to their cause (Populus, 2016). Conversely, if these expectations are not met, trust can be eroded (Bryce, 2016). Recent scandals, and the related media reporting, have been identified as having a direct impact on falling public trust in the UK charity sector (Populus; Hind, 2017). Recent UK examples include suggestions of: excessive salaries (e.g. in international aid charities), wasteful spending on administration (e.g. Ireland Air Ambulance), poor financial practices and beneficiary safeguarding (e.g. Kids Company) and exploiting vulnerable donors (e.g. Olive Cooke and the Royal British Legion and others) – see Connolly, Hyndman and Liguori (2017) and Hind for details. Where expectations have been violated, Bryce argues that trust can only be rebuilt by communicating a restorative message and convincing stakeholders that corrective action has been taken.

2.2 Accountability

Accountability has a role in building and maintaining trust, and potentially a critical one. This is particularly the case in a context where it has been argued that: 'the nonprofit sector's claims to exist for the public good are no longer being taken on faith, and more people believe they have a stake in the accountability of non-profits' (Brody, 2002, p.472). It has been highlighted as a *sine qua non* to the building of trust in charities: 'accountability is necessary to promote public trust in the third sector' (Sloan, 2009, p.220); and, in a related sense, as a powerful tool to demonstrate that stakeholder expectations are met (Bryce, 2016).

However, accountability is difficult to define and chameleon-like (Sinclair, 1995). It is seen as involving both the giving of an account and the holding to account (Stewart, 1984). This may be as a basis for: assessing performance, demanding further information, granting funding or for the application of sanctions (O'Dwyer and Unerman, 2008). O'Neill (2006) argues that, at the extremes where trust is dissipated, formal accountability systems that effectively bypass or replace trust are the only way to support co-operation (despite the potential for these to impose large transaction costs and create perverse incentives). This reflects a wider view in the literature (which has largely focussed on organisations beyond the charity sector) that trust and control are 'inversely related, with more formal controls resulting in less trust and vice versa' (Dekker, 2004, p.5). In their work in public-sector organisations, ter Bogt and Tillema (2016) questioned the fit of proposed economically-rational types of control, suggesting that low measurability of performance in the public sector reduces the ability to control such performance, and increases the possible contribution of trust. This may be particularly important in relation to charities, where 'control' relationships might be expected to be even less clear and more complex, given charities' reliance on a wide range of stakeholders of varying levels of power, ability or even interest (Kearns, 2014). Like public-sector organisations, charities tend to have 'multiple and/or vague goals and intangible or difficult to measure outputs' (ter Bogt and Tillema, p.8) – see for example Carnochan, Samples, Myers and Austin's (2014) comments on the difficulties of measuring outcomes in human-service organisations.

Despite these difficulties, the giving of information and the building of trust are 'inexorably linked' (Tomkins, 2001, p.165). These two complementary processes have the potential to mediate communication between stakeholders (Miller, Kurunmäki and O'Leary, 2008), particularly where information is shared freely (Seal and Vincent-Jones, 1997) rather than given only on demand (which has the potential to create mistrust: ter Bogt and Tillema, 2016). In charities, performance information in particular is seen as critical in the discharge of accountability to a range of stakeholders (Connolly and Hyndman, 2013) who often engage with charities for reasons linked to their ability to impact positively on beneficiaries and society. Ter Bogt and Tillema argued that, in public-sector organisations, the provision of formal accounting information combined with wider transparency and informal contacts are crucial in the building of trust. Transparency is related to the giving of an account (as opposed to the holding to account: Stewart, 1984), and specifically with going beyond mere disclosure to provide accessible and assessable information to relevant audiences (O'Neill, 2006). Transparency has been seen as a 'first pre-requisite for accountability' (Gray, Bebbington and Collison, 2006, p.337). Transparency has the potential to lead to trust (Heald, 2006), but can also undermine trust, for example where disclosures: make the public aware of negative information or uncertainties without remedy (Heald); fail to consider context and the potential for harm (Heald); are overly formalised or 'tick-box' in nature (Hood, 2006); or involve disclosure rather than effective communication (O'Neill).

Transparency is suggested as particularly important in charities as, lacking information as a basis for trust, potential donors may withdraw or reduce their donations (Prakash and Gugerty, 2010).

However, overcoming informational asymmetry between charities and stakeholders is particularly challenging where there is great distance between donation and action (as is often is the case), as well as in cases where stakeholders are disinclined to engage with formal channels of accountability (Charity Commission, 2009). To counter this, individual charities may engage in costly direct reporting, or those charged with regulatory oversight of the sector may develop, and regularly refresh, reporting regimes (Prakash and Gugerty). Given these difficulties, and the potential for information-giving to both increase and weaken trust, it is critical that individual charities, and the sector as a whole, consider carefully how to discharge accountability and build trust.

2.3 Possible accountability mechanisms

Publicly-available communications have long been viewed as important in discharging accountability. For UK charities, Trustees' Annual Reports (TARs) and financial statements (for convenience, collectively referred to as annual reports in this paper) have been seen as particularly important in this regard. These are publicly-available, legally-required documents with prescribed reporting requirements. For Laughlin (2008), these are useful in discharging 'entity accountability' (p.248): reporting on the broad activities and actions of the entity, albeit containing information that is 'necessary but not sufficient for all stakeholders' (Laughlin, p.250). Accordingly, many UK charities provide additional accountability information through voluntary, unregulated public communications including annual reviews and websites. Such communications have been seen as more 'user-friendly' and 'engaged-with' than the more formal, and legally prescribed, annual reports (Connolly and Hyndman, 2013). Over time, studies have identified changing content in these publicly-available communications (e.g. increasing provision of performance information), often related to a response to perceived stakeholder needs and the desire of a charity to legitimate its operations. However, the usefulness of publicly-available communications in discharging accountability to certain groups of stakeholders has been questioned. For example, individual donors (whose small donations and limited understanding makes them disinclined to engage: Prakash and Gugerty, 2010), or a potentially disinterested general public. In addition, beneficiaries, while possibly having overriding and urgent social needs, are likely to lack the ability and capacity to engage with such information (Benjamin, 2012).

Given that trust will be achieved only 'if those whose trust is sought or desired actually come to know about the performance – or failure – of those on whom the requirements are placed'

(O'Neill, 2006, p.83), mechanisms beyond publicly-available communications will be required to establish, maintain and build trust. Ebrahim (2003) identifies three such accountability mechanisms for not-for-profits: performance assessments and evaluations (external or internal evaluations of whether programme goals/objectives have been achieved); participation (involvement in initiatives, project-related activities or design of activities); and self-regulation (the development of codes of behaviour and performance). Empirical research indicates that performance evaluations of projects are particularly important in the discharge of accountability to large funders (Dhanani and Connolly, 2015)[ii]. Participation has been identified as a crucial mechanism in developing accountability to beneficiaries and communities (O'Dwyer and Unerman, 2008). In a related vein, relationship building with 'close' (either from a proximity or value perspective) stakeholders, possibly through the experience or visibility of the organisation's activities, has been identified as useful in terms of discharging accountability (Rawls, 1972); such will also decrease the reliance on more formal account-giving (Gray et al., 2006)[iii].

3. METHODS

This paper explores the use of a range of mechanisms by charity managers seeking to discharge accountability to, and ultimately build trust with, their stakeholders. Given this paper's focus on charity managers' perspectives, requests for interviews were sent to a sample of the top 100 UK fundraising charities (drawn to be broadly representative in terms of area of activity, size and funding source). These charities (possessing significant resources and having clear name recognition) are expected to be at the forefront of good accountability practices (Dhanani and Connolly, 2012). Requests were made to the Finance Director (responsible for the annual report at a minimum) and they were asked to invite other individuals with responsibility for reporting to attend the interview. Interviews were conducted until saturation point was reached, and ultimately, 19 interviews (relating to 19 charities) were conducted with a total of 26 participants (with some interviews involving more than one participant)[iv].

An interview guide[v] (based on previous literature and theory connected to the research objective) was developed to facilitate the semi-structured interviews; this was intended to encourage conversation and to engage in 'non-directive' interaction. Questions (and prompts) focussed on stakeholders – with whom did they engage, how did they engage, and for what purposes – allowing discussion of accountability and trust to develop without leading the interviewees. For example, after exploring the perceived meaning of accountability, the importance of accountability (using the prompt of 'trust' if not mentioned) and the formal means through which this would be discharged, interviewees were asked (if they had not raised the issues themselves): 'Are other means used to demonstrate accountability to important stakeholders?' and (if other means were mentioned, as they invariably were) 'Why are these needed and how important are they?'. Analysis was carried out across three themes: identification of stakeholders; stakeholder information needs; and developing stakeholder accountability and trust. With each theme, data reduction, data display and data interpretation were carried out with the intention of developing an understanding of the general thrust of managers' responses and identifying representative direct quotations (while deliberately maintaining the anonymity of interviewees and their organisations). These quotations are reported together with a reference number: interviews were given a notation I1 to I19, with multiple interviewees identified by letters: for example, I12A and I12B represent two interviewees from the same charity.

4. FINDINGS

4.1 The importance of accountability and trust

Perhaps as expected and reflecting elements of social desirability, all interviewees were quick to say that accountability was important in their organisation. However, while for some this was merely a statement of fact and little further was immediately added ('Absolutely. It's the most important thing': I17), a number of interviewees naturally provided a more-nuanced and unprompted response, specifically linking accountability to trust (I4, I9A, I18, I19B):

> It's often a matter of trust – you're given resources, responsibilities to steward. To those people who've given you that responsibility you should be accountable for the results of your actions, the resources consumed and the decisions that you've taken. (I4)

Echoing a theme suggested by Kearns (2014), some highlighted the importance of accountability in creating trust and then of trust as a means of securing resources: 'I think there has to be that fundamental trust, and if that trust is affected in any way whatsoever it undermines the fundraising which is our lifeblood' (I18).

In the majority (15) of interviews, being accountable was discussed as both 'the right thing to do' (I3) and as an essential response to stakeholder expectations. In the latter case, both general and more formalised (such as rules, regulations and contractual obligations) expectations were highlighted. In particular, many interviewees related this both to complying with expectations of powerful stakeholders and morally-driven motivations:

> We have a formalised accountability to the Charity Commission as our regulator, and formal accountability to our trustees but we also have a moral accountability to the other stakeholders, being the people who provide the money, the people we support, and the people we don't support. (I18)

4.2 Identifying stakeholders, information needs and mechanisms of accountability

In often lengthy reflections, interviewees identified a wide range of stakeholders and information needs. Table 1 provides a summary of these conversations showing the most commonly discussed stakeholders and their related information needs. The number of charities (not interviewees) where representatives identified each stakeholder is shown in the first column. The other columns list the number of charities that discussed each perceived information need as corresponding to that stakeholder (categories were developed inductively from interviewees' responses).

Stakeholder	**Identified (n=19)**	**Financial statements**[vi]	**Project spend**[vii]	**Other financial information**[viii]	**Governance-related information**[ix]	**Information on activities**[x]	**Information on outputs**[xi]	**Information on outcomes**[xii]	**Case studies**[xiii]
Beneficiaries[xiv]	19			1	1	15		5	2
Large funders[xv]	15	5	10	6	4	2	5	10	2
Individual donors	14			5	3	9		4	9
General public	14			6	2	10	1	4	1

Table 1: Commonly identified stakeholders and their information needs

As shown in Table 1, beneficiaries, large funders, individual donors and the general public (for convenience referred to as the 'main stakeholders' subsequently in the paper) were mentioned and discussed much more extensively than other stakeholders. That these stakeholders were to the fore in managers' minds when discussing accountability may be related to: their perceived importance; established practices of being accountable to them; or even perceived challenges of discharging accountability to them. Other stakeholders (such as employees, regulators and partner organisations) were mentioned less frequently and in significantly less detail, and are therefore not included in Table 1.

Charity managers discussed in detail how they engaged with their stakeholders to build accountability and trust. Table 2 provides a summary of the number and percentage of charities (not interviewees) where representatives mentioned the use of publicly-available communications in discharging accountability to each of the previously identified main stakeholders (as highlighted in Table 1). Percentages shown relate the number of charities where such a communication was mentioned to the number of interviewees relating it to that stakeholder group: for example, the annual report was used to discharge accountability to beneficiaries by three (16 per cent) of the 19 charities that identified beneficiaries as a stakeholder.

Stakeholder	Identified (n=19)	Annual Report		Annual Review		Website	
		No.	%	No.	%	No.	%
Beneficiaries	19	3	16%	1	5%	5	26%
Large funders	15	10	67%	4	27%	8	53%
Individual donors	14	6	43%	9	64%	8	57%
General public	14	1	7%	5	36%	9	64%

Table 2: Use of publicly-available communications to discharge accountability

Charity managers also identified additional mechanisms (referred to hereafter as private mechanisms[xvi]) used to discharge accountability to the main stakeholders. Table 3 illustrates the chief private mechanisms highlighted in categories developed inductively from commonly-referenced themes in the interviews. Direct reporting refers to specific reporting either to that stakeholder group (for example, donor communications) or to identified stakeholders within the group (for example, to a particular large funder) of information not more-widely available. Participation refers to involvement of stakeholders in service delivery or design, or in the governance structures of the organisation (akin to Ebrahim's (2003) definition of participation). Feedback refers to participation effected through the use of feedback communication channels, surveys or stakeholder fora. Observation refers to closeness (Rawls, 1972; Gray et al., 2006) to observe the activities carried out by the organisation and the impact of those activities. As in Table 2, percentages shown relate the number of charities where a particular private mechanism was mentioned to the number of interviewees relating it to that stakeholder group. For example, direct reporting was used to discharge accountability to individual donors by 11 (79 per cent) of the 14 charities that identified individual donors as a stakeholder.

Stakeholder	Identified (n=19)	Direct reporting		Participation		Feedback		Observation	
		No.	%	No.	%	No.	%	No.	%
Beneficiaries	19	3	16%	10	53%	10	53%	15	79%
Large funders	15	15	100%	4	27%	1	7%	7	47%
Individual donors	14	11	79%	1	7%	2	14%	2	14%
General	14	0	0%	0	0%	4	29%	5	36%

public

Table 3: Use of private mechanisms to discharge accountability

4.3 Interplay of mechanisms of accountability and trust

A strong theme from the interviewees was that the various accountability mechanisms (both private and public) often operate interconnectedly, and impact on particular stakeholder groups in different and overlapping ways. For example, interviewees often discussed multiple mechanisms being used with the same stakeholder, and specific mechanisms being used with multiple stakeholders. As suggested by a number of interviewees, a mixture of public and private mechanisms is required, although even the distinction between public and private may represent extreme points on a spectrum, rather than a neat dichotomy. This section explores the interplay of these mechanisms in discharging accountability and developing trust for each of the main stakeholder groups.

4.3.1 Beneficiaries

As indicated in Table 1, representatives of all charities saw accountability as owed to beneficiaries. Some interviewees highlighted beneficiaries as their most important stakeholder: 'I think the key stakeholder is actually your beneficiaries, because I think if you get that relationship right all the other relationships will be in harmony' (I15). Most often, beneficiaries were seen as interested in information on activities (only the activities with which the beneficiaries personally engaged) and personal outcomes, reflecting the widespread view that: 'they want to know about stuff that affects them and that's it' (I8). Facing difficulties of engagement and understanding (which were referred to frequently), few charity managers saw accountability as discharged to beneficiaries through publicly-available communications (Table 2). Reflecting Benjamin's (2012) concerns, some interviewees commented negatively on the formality of these publicly-available communications in terms of being accountable to, and building trust with, beneficiaries. For example, the annual report was seen as giving a 'cold view of the organisation' (I5) and written primarily for other audiences (see later discussion).

In contrast, interviewees referred almost entirely to private mechanisms as a basis for discharging accountability to beneficiaries. Observation was referred to by 79 per cent of the sample charities (Table 3), with accountability demonstrated through beneficiaries' experience of the services they receive and the impact of these on their own circumstances. Reflecting ideas from O'Neill (2006), a number of managers saw it as the most appropriate, or only, way to ensure beneficiaries come to know about (and appreciate) performance:

> The people we hope to affect – a lot of them are the hardest people to reach because you've got people living in areas with no electricity, no ability to reach anything that says what [charity name] are doing. So they're the hardest to reach in terms of accountability, other than whether their lives have changed. (I3)

Given this, weight is added to Gray et al.'s (2006) contention that where performance can be easily observed, the need for formal account giving is likely to decrease.

In addition, 53 per cent of charities saw accountability as discharged to beneficiaries through participation (Table 3). Reference here was made to involving beneficiaries in the design of personalised services and in on-going monitoring of achievements (I5, I6, I8, I12A, I13, I14B), increasingly captured in terms of outcomes (I6, I12A):

> We identify eight outcome areas for which each of those individuals can set goals and plot their progress over time. To an extent it's through that relationship that they get accountability… ultimately a report can't give them that. (I6)

Reflecting Ebrahim (2003), some interviewees (I8, I12A, I15) saw beneficiary participation as effected through their involvement in governance structures as trustees or board members: 'ninety per cent of our board of trustees are [named beneficiary group] and therefore our accountability rests on the fact that those we support are part of our governance process' (I15). Related to this, feedback mechanisms were also widely used and viewed as important instruments of accountability (53 per cent of charities referred to this mechanism, Table 3), frequently mentioned in terms of use of: surveys (I4, I10, I14B, I16B, I20), complaints processes (I5, I14B) and beneficiary fora (I1, I5, I12A, I13). Both observation and participation echo aspects of Laughlin's (1990) communal accountability, with unstructured, or possibly weakly-expressed, expectations matched to fairly loose information flows and downward communication. The nature of such information flows may preclude the creation of calculative trust (Rousseau et al., 1998), but are important in the development of trusting relationships (as alluded to by I6 above), potentially creating relational or identity-based trust (Rousseau et al.) between beneficiaries and charities. Such private mechanisms of accountability were widely seen as crucial to building trust with beneficiaries, and as a direct consequence, with donors and funders (viewed as critical in securing future flows of funds – Bekkers and Wiepking, 2011). In particular, large funders were seen as actively promoting beneficiary participation (I6, I8, I12A, I14B) and beneficiary-feedback mechanisms (I4, I5, I12A).

4.3.2 Large funders

As can be seen from Table 1, the importance of large funders was highlighted in 15 of the 19 interviews. Funders' perceived information needs ranged widely, and the problem of addressing these was extensively discussed. The most demanded information related to outcomes and project spend (Table 1). With respect to outcomes, such demands indicate the importance of the beneficiary experience (either individually or as a group) to large funders: 'of course, what funders want you to do is to do the right thing by the beneficiaries' (I15).

Responding to this breadth of demands, all charities that engaged with large funders claimed to use direct reporting to discharge accountability (Table 3). Such reporting might, in itself, be a response to the expectations of these funders. This reporting was on an individual basis to each funder and reflected their specific information needs, including: financial information (I1, I12B, I13, I16A, I17), performance evaluations (I2, I3, I5, I8, I9C, I12A) and other governance-related information (I2, I19A). The nature of this direct reporting provides for the development of calculative trust, where large funders can 'trust but verify' (Rousseau et al., 1998, p.399) behaviours including spend and performance. Many interviewees highlighted that this direct reporting was a condition of funding (I5, I9B, I13, I4B):

> They are giving us restricted funds which must be spent in accordance with the purposes for which they are given. As donors they have an awful lot of power to make us jump through the hoops they want us to jump through. That's fine. (I9A)

While interviewees broadly accepted the need for such reporting, difficulties were also identified, including problems of measurement (I2, I16B, I17) and cost (I2, I12A): 'the issue for us is that they don't all want the same thing' (I14B). To an extent such demands reflected aspects of contractual accountability processes (Laughlin, 1990), but responses also indicated that the use of such private mechanisms, including the two-way engagement that often resulted, was perceived by managers as increasing trust in the relationship (I6, I8, I9B, I10, I19B). For example, direct reporting necessitated a: 'reactive, two-way relationship with stakeholders rather than a one-way, end of the year: 'this is our report'' (I6). This was often linked by charity managers to ongoing transparency and the development of trust (I8, I10, I15, I17):

> We have accountability to our funders, who are largely central government in a well-established, quite trusting relationship. If they're concerned about spend in a particular area, they'll ask us how we spend the money in that particular area. We're pretty transparent with them. (I10)

Taken together, this mirrors the combination of formal account giving with wider transparency and informal contacts that ter Bogt and Tillema (2016) saw as critical for the development of trust in public-sector relationships.

Accountability was also viewed by a number of charities as being discharged to large funders through observation (47 per cent, Table 3), often based on closeness to observe the activities and impact of the organisation through inspections, visits and events (I4, I13, I19B):

> You know it's one thing to say 'food poverty is a real issue for us', it's another thing to take the MP [Member of Parliament] along to the local parent and toddler group and get the people there to tell the MP themselves. (I13)

This relationship-based accountability (which was often seen as complementing the two-way engagement frequently emanating from direct-reporting processes) may be crucial in meeting large funders' expectations: reducing information asymmetry and facilitating relational trust. Over time this may reduce the need for costly formal reporting processes.

While much of the discussion relating to the discharge of accountability to large funders concentrated on private mechanisms, publicly-available communications were also perceived as important (although less so). For example, while websites were seen as significant communication platforms in terms of large funders (often used to establish the reputation of a charity at the early stages of a funding relationship), annual reports were identified as being of particular importance. Annual reports were cited as being used by 67 per cent of the 15 charities that referred to this stakeholder group (Table 2); a much higher level of perceived usage than any other stakeholder group. While a few comments tended towards the negative ('I'm not sure anyone really reads them': I7A), most acknowledged that the provision of good-quality, compliant annual reports was expected by many stakeholders, and especially large funders: 'if yours are woeful, then that says something about you as an organisation' (I10). In particular, annual reports were seen as having a 'gravitas' (I4) that was lacking in other communications, and were therefore important for trust building (echoing suggestions by Nooteboom (2002) and ter Bogt and Tillema (2016)).

4.3.3 Individual donors

Accountability to individual donors was mentioned by 14 of the sample charities (Table 1). A recurring theme within the interviews was the perception that individual donors want to have a general indication of how their money is spent (rather than specific detailed financial communications) and that it is making a difference to the cause (echoing Populus' (2016) suggested drivers of trust):

> They want to know where their money's going. They want to know that it's not spent on administration. Our individual givers want the same as everyone else's individual givers, they want to know that they're making a difference and we're spending their money wisely. (I8)

As shown in Table 1, perceived information needs related primarily to activities, case studies and 'other financial information' (such as simple pie-chart-type reporting related to spending). Overall, the interviewees suggest that charities grapple with identifying and meeting the expectations of individual donors – in contrast to the clearer demands of, and contractual accountability discharged to, large funders. Interviewees perceived that many individual donors, particularly those giving small amounts, give mainly on trust; however, such trust could be seriously impaired by scandal (Bryce, 2016; Hind, 2017): 'I'll give you another £5 next month, unless you're in the headline news for something outrageous' (I9A).

Charity managers highlighted the importance of direct reporting (a private mechanism) in discharging accountability to individual donors (Table 3). Frequently this took the form of reporting to individual donors as a group (I1, I2, I3, I7, I9B), or subgroups (such as those supporting a particular appeal) often by way of mailshots and emails. These communications focussed on giving examples of the types of activities (I7A, I9B, I12A, I13, I16B), or in some cases outcomes (I3, I9B), that their donations had funded, often accompanied by personal case stories/studies (I3, I9B, I13). This reflects the suggested expectations of donors (Bryce, 2016; Populus, 2016) and was seen as encouraging a more emotional/felt connection to the charity:

> There would be, within the mailshots, things saying your money has gone towards funding a machine to measure the oxygen in blood, and training a doctor to use it, which in turn saved 'x' many lives last year. Giving examples is important rather than cold, hard statistics. (I3)

As a result, such communications may be particularly useful in building a form of relational trust through encouraging an emotional attachment to the charity/cause (Rousseau et al., 1998). While they frequently address elements of expectations relating to finance (such as the proportion of funds reaching the end cause), they are less designed to focus on building calculative trust (as is often the case with direct reporting to large funders).

Interviewees commented on significant efforts to engage directly with these stakeholders as a basis for building trust (despite the fact that such donors, who usually make small donations, lack the power to demand such engagement):

> The general public places funds with [name] on a matter of trust, so we are very much focussed on making sure that our donors see us doing the things they would expect us to be doing. (I4).

Some interviewees specifically focussed on ethical reasons for this ('we just should': I3), while others linked it more instrumentally to encouraging donations (I1, I4, I8, I9A), reflecting the need to develop social capital, and provide 'oil' to facilitate future funding (Heald, 2006). However, the two reasons were often seen as linked (I13, I19B):

> It's important pragmatically and instrumentally to maintain trust so that we can continue to raise the money we need to do our work, but there's also an element of moral

> obligation. We do feel very strongly that the public have generously paid for and supported this work and it is right and proper that we are accountable to them. (I19B)

Publicly-available communications such as annual reviews, were seen as particularly useful to, and specifically targeted at, donors (used by 64 per cent, Table 2): 'we write it [the annual review] with a new affluent donor in mind, the kind of person who asks to see the annual review' (I12A). These were perceived as having an accessible style and a content (often including information on mission, activities and emotionally-affecting case studies) focussed on individual donors' information needs (as identified in Table 1, and closely linked to the drivers of public trust: Populus, 2016). Websites were seen also as an increasingly important supplement to the annual review and as fulfilling a similar role (I5, I6, I12A, I14B) both in discharging accountability in an accessible way and in building emotional connections as a basis for relational trust.

4.3.4 General public

From Table 1, it can be seen that 14 of the sample charities identified the general public as a stakeholder to whom accountability is owed, variously because: the organisation is funded by public (taxpayers') money (I3, I5, I9, I16 and I7) or public donations (I4, I9, I19); or the public are also beneficiaries of some type (I10, I16, I17). Similar to beneficiaries and individual donors (and possibly reflecting crossover within these groups), the general public was often suggested to be interested primarily in information on activities, and to a lesser extent in the outcomes of those activities and 'other financial information' (Table 1).

Given these quite general information needs, the view was widely expressed that publicly-available communications could meet such needs: private mechanisms were used only to a limited extent (Table 3). Websites, including charities' broader web and social-media presence, were highlighted as particularly useful (64 per cent of charities, Table 2): 'most people if they're looking for information will go to the website first rather than looking for annual reports or the like. I would myself' (I5). A particular thrust of a number of the conversations (I1, I7, I13, I17, I19B) was that the website and social media are used primarily to engage the public ('it's about going to people where they are': I19B), but also to provide the ability to access more detailed information by 'drilling down' (as a basis for building a relationship and enhancing trust: Seal and Vincent-Jones, 1997). Used publicly-available information in this context includes: annual reports or annual reviews (I6, I12A, I17); internal and external outcomes evaluations (I6, I7B, I9, I12A, I14B); and accessible media, including videos (I6, I17). Annual reviews were also suggested by some charities (36 per cent, Table 2) as useful in discharging accountability to the general public, given their accessibility and engaging content (which was thought to address many of the perceived information needs of the public). These facilitate a form of accessible-entity accountability that is quite different to the more formalised-entity accountability discharged in annual reports (Laughlin, 2008), giving the public a sense of the difference the organisation makes and, broadly, how it spends its money (information that the public expects to receive – Populus, 2016). For some, this may be sufficient to build trust (akin to institutional trust – Rousseau et al., 1998).

However, the difficulty of engaging the public with such communications was clearly acknowledged. Charity managers expressed a desire to connect with the general public (as a basis for accountability and trust), but also frustration arising from attempts to elicit connection:

> We don't do it with a focus on least effort, least accountability. We're doing it by a process; which we've come to through three or four years of banging our head against this, to be honest. Of saying: What level of detail do people actually want? What do they find engaging? How can we start with that and create an easy pathway to deepening their understanding and involvement with this information? (I19B)

These difficulties arise in part because of the less direct relationship between charities and the general public. Charity managers struggle to identify the general public's information needs and expectations, especially lacking feedback loops associated with the private mechanisms deployed with other stakeholders. While public engagement is beneficial (possibly in order to align activities with societal needs, or to legitimate charity operations as a means of nurturing a broad trust relationship), difficulties in eliciting such engagement indicate that there might be a public interest issue in such engagement, but the public has no (or limited) interest in engaging. This is problematic for the sector as a whole as it faces issues in building and maintaining public trust.

5. CONCLUSIONS

This paper set out to explore the interconnectedness of private and public accountability mechanisms in charities in terms of discharging accountability to, and building trust with, major stakeholders. Perhaps expectedly, good quality publicly-available communications were identified as having some (although not overriding) importance in meeting the information expectations of, and supporting trust building with, a range of stakeholders – echoing Laughlin's (2008) thoughts regarding entity accountability. Charity managers' perceptions were that, when engaged with, such communications (especially annual reports) are important both (in terms utilised by Rousseau et al., 1998) for developing institutional forms of trust in the sector as a whole, and in terms of providing stakeholders (especially large funders) with the basis for 'calculation' to support trust building.

In contrast to annual reports, more user-friendly, engaging publicly-available communications such as annual reviews and websites were seen as useful in demonstrating a more accessible entity accountability (focussed on case studies, affecting examples and reporting other financial drivers of trust) that can form the basis of building relational trust (Rousseau et al., 1998) with stakeholders who lack specialist knowledge (e.g. individual donors and the general public). This, it was viewed, could provide motivation to both engage with the charity and continue with the provision of funding. However, many such stakeholders may be disinclined to engage with these communications (often despite the best efforts of charities) and their potential to discharge accountability and develop trust is thus weakened. Notwithstanding this challenge (and almost paradoxically), a lack of good-quality public reporting was nevertheless seen as negatively affecting many stakeholders' (including major resource providers') views as to the reliability and competence of a charity (a minimum foundation for the development of significant levels of trust). Reflecting Laughlin's (2008) contention, providing information in publicly-available communications was often viewed as the *de minimis* accountability for trust building – such communications were necessary, but not sufficient to meet stakeholders' needs and therefore build substantial trust.

Beyond publicly-available communications, this paper identified a series of private mechanisms that were particularly useful in discharging accountability to, and building trust with, key stakeholders. Mechanisms such as direct reporting, participation, observation and feedback were seen as having power to create relational trust, beyond calculative trust. Often, interviewees explained that such mechanisms were necessary because these stakeholders' expectations could not be adequately met through publicly-available communications (which were largely one-way communication channels and, frequently, quite technical and dry). This was particularly the case where stakeholders' interests were unique to that stakeholder or related to charity performance (which is acknowledged to be difficult to measure: Carnochan et al., 2014; ter Bogt and Tillema, 2016). Significant trust was seen as developed in processes that, facilitated by private mechanisms, allowed a degree of 'voice' or 'participation' (such as two-way communication, more discussion and the potential to raise individual concerns). Echoing ter Bogt and Tillema's suggestion that trust requires transparency and informal contacts, these more flexible and adaptive means of communication potentially lead to relational trust: where each party's acceptance of the other's good intentions reduces the need for formal reporting (Rousseau et al., 1998).

An additional benefit of private mechanisms for trust building is that being accountable through private mechanisms does not carry the same risks as being accountable through publicly-available communications. Reflecting the potential danger that transparency can undermine trust (Heald, 2006; Hood, 2006), charity managers that have the opportunity to communicate 'privately' to stakeholders in a spirit of trust and confidence may be much more likely to explain challenging and complex dilemmas without exposing such information (or the charity) to wider, and possibly unhelpful, scrutiny. The findings of this research illustrate the great value of such channels in discharging accountability effectively and developing much deeper trust relationships than are possible from a primary reliance on publicly-available communications (something not particularly highlighted in previous research).

However, a major issue with private mechanisms (as compared with public mechanisms) is the cost and potential for diversion of attention and resources from charitable activities. Additionally, the use of private mechanisms in discharging accountability and developing trust does not easily extend to the general public, which is particularly problematic given recent scandals that have exposed behaviours contrary to public expectations. Bryce (2016) suggested that, in such a scenario, carefully crafted, restorative narratives demonstrating how expectations are being met could help rebuild trust by countering negative perceptions. If such is attempted only through private mechanisms, then there is a risk of public expectations remaining unmet, and opportunities to rebuild trust with those who primarily rely on public mechanisms (e.g. the general public) being missed. Merely using private channels, while useful in building trust with stakeholders who have a direct relationship with individual charities, could therefore result in a decline in wider public trust. This reinforces the importance of an appropriate mix of public and private communications directed towards the discharge of accountability and the (re)building of trust.

This research highlights the importance for charities of discharging accountability to a range of stakeholders as a basis for securing and building trust. On the basis of the evidence presented in this paper, an argument is developed that while publicly-available communications are essential in providing a basis for the development of trust with some stakeholders (especially with less-engaged stakeholders, or in the early stages of a stakeholder relationship), these in themselves are not enough to build significant trust and commitment. As relationships develop, and commitments are agreed with the charity, more significant, direct engagement through private mechanisms is often required, highly tailored to stakeholder needs and expectations, and variously capable of building calculative, relational, and institutional trust (all aspects contributing to the cementing of a strong bond of trust). Thus these accountability mechanisms, perhaps frequently viewed, and studied, as separate and distinct, are, in reality, considered by many charities as extremely interconnected and potentially reinforcing of one another in the context of building trust with key stakeholders. The actual manner of their use will depend, among other things, on the judgement of the charities as to the needs, abilities and salience of the various stakeholder groups.

From this research it is clear that the absence of good-quality public mechanisms of accountability inhibits the impact of the potentially more effective private mechanisms in building trust. For charity managers, the discharge of accountability and development of trust were enmeshed with one another – with accountability seen variously as a pre-requisite for trust (echoing Gray et al., 2006; ter Bogt and Tillema, 2016) or, at the very least, as an important means to build trust. Trusting relationships also permit more effective accountability discharge – with charities able to provide privileged, detailed information (e.g. on specific beneficiary outcomes) through private mechanisms, and to have a fuller, more transparent disclosure through such mechanisms, less fearful of providing such information privately than publicly (Heald, 2006). In this way, accountability and trust are seen to underpin each other, or to create a virtuous circle of accountability and trust.

The evidence of this paper provides a useful contrast to previous research in the accounting literature which, focussed on the potential for control, often depicts trust and accountability/accounting as largely separate processes – accounting information is used to control, falling back on trust where this is not possible (Nooteboom, 2002; Dekker, 2004). A fundamental difference between this research and most previous studies is this element of control. While funders are unquestionably powerful stakeholders (and this is reinforced in this paper), in this sector many stakeholders engage for reasons linked to better outcomes for beneficiaries or society as a whole. Echoing ter Bogt and Tillema's (2016) views of public-sector organisations, not only is the assumption of control less appropriate in charities, so too is the contention that performance can be measured and control enforced on this basis. What is seen in this evidence is the potential for accountability (drawn more broadly than the financial accountability in previous studies) to enhance trust in this sector, and for trust to facilitate more effective accountability to a range of stakeholders.

In addition, this research has policy implications. The fostering of good accountability regimes and the building of trust is central to the mission of a diverse array of regulatory and support organisations in the UK and elsewhere. Issues addressed relate to, among other things, good governance frameworks, fundraising codes and required accounting and reporting. However, progress on improving accountability and trust is likely to be slow and limited without specific charity-focused guidance and encouragement (from credible bodies such as, in the UK, the Charities Aid Foundation, the National Council for Voluntary Organisations and the various charity regulators). Steering from such influential groups may be crucial in emphasising, among other things, that: accountability and trust are interconnected and potentially reinforcing of one another; a combination of good public communications and complementary stakeholder-focussed private communications is vital in building trust; and much creativity and experimentation is needed to achieve an appropriate communication mix.

This paper reflects charity managers' perspectives on discharging accountability and building trust, and important further research might explore other stakeholders' views on accountability (and whether they align with managers' perspectives as reported here). In particular, it may be useful to understand: whether other stakeholders see accountability as adequately discharged; the extent to which accountability (or lack thereof) influences their trust; and their perspectives on the usefulness of private *versus* public mechanisms. Further research might also explore the use of the private mechanisms identified in this paper in other contexts, for example internationally, or in different types of not-for-profit organisations. Where individual charities, and the sector as a whole, can more effectively meet stakeholder expectations through both public and private mechanisms, there is the potential to build or restore trust. Built or restored trust can facilitate better private and public accountability by charities; and hence the virtuous circle continues. Both good accountability and strong trust relationships provide a highly-desirable platform for the avoidance of scandal and safeguarding the provision of resources. Such has the potential to loosen control by funders and regulators, and contribute to the health, sustainability and effectiveness of the charity sector as a whole.

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[i] SORPs are UK recommendations on accounting practice for specialised industries or sectors, and they supplement other legal and regulatory requirements. Compliance with the SORP is a legal requirement for the largest UK charities, including all of those in this study.
[ii] This may indicate a relationship of contractual accountability (Laughlin, 1990), where the relationship and expectations of both parties can be clearly defined and accountability is characterised by written commands and formalised accounting-type reporting.
[iii] With such relationships less formalised, and roles and expectations ill-defined, communal accountability (Laughlin, 1990) might be seen, characterised by less structured information flows.
[iv] It should be noted that none of the sample charities were implicated in the high-profile scandals alluded to earlier in this paper.
v A copy of the interview guide is available from the authors on request.
vi Financial statements are the audited, SORP-compliant financial statements of the organisation.
vii Project spend refers to a detailed breakdown of money spent on a particular project or activity.
[viii] Other financial information includes conversion ratio information and information on financial position.
[ix] Governance-related information includes disclosures on values, risk, stewardship and governance structures.
[x] Activities refer to the services offered by a charity and often the manner or quality of the services delivered.
[xi] Outputs are the immediate or direct products and services generated by the organisation.
[xii] Outcomes are the effects of an organisation's activities at the individual level (individual outcomes) and at a wider, societal level (societal outcomes).
[xiii] Case studies include stories, numerical measures and pictures relating to an individual or project.
[xiv] Beneficiaries also include those referred to as clients, service users, and may include beneficiary representatives, such as parents or families.
[xv] Large funders include corporate and institutional funders; commissioning bodies (public-sector organisations commissioning the charity to undertake particular projects or services) and government grantors (government departments giving large block grants, as contrasted to payments for identified services).
[xvi] These mechanisms are referred to as private mechanisms because they: are often tailored to individual stakeholder group needs, desires or abilities; go beyond publicly-available information or engagement opportunities; and frequently require some (varying) level of knowledge by each party of the other.