

The End of the Affair? Public Trust in the Management of Charities

Report of the **acevo** Research Inquiry 2005



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Foreword

Sir David Omand

Building public confidence in products or services is an essential part of commercial life; maintaining confidence in the integrity of public servants is equally important for government; and for the voluntary sector, which depends so much on donations of money and time freely given, maintaining public confidence both in what is delivered and in those who deliver it is a defining characteristic. The sector cannot thrive without public trust – that is, the assumption that the public will accept what voluntary organisations themselves say about their work for charitable purposes, and will believe that those who run the sector do so for the noblest motive of wanting to do good. As Peter Wilkinson of the Audit Commission points out in his essay, acevo's consideration of public trust in the management of charities is timely because of the changing world in which modern charities operate. Charities, and not just the largest ones, are now significant contributors to policy development, seeking to influence government and expand their role in public sector service delivery. Public trust is therefore a particularly important issue for this sector.

This acevo Report shows that the chief executives of the voluntary sector are keenly aware of their responsibility for maintaining that essential public trust in themselves and the work of their organisations. The study gives the positive message that the traditional high regard of the public, at home and overseas, is being maintained. But there are concerns revealed in this Report on the part of many acevo chief executives about the implications of some recent developments. The sector is diverse, and generalisations can mislead, but the sense of the consultations behind this Report is of solidarity on this issue: what may become an issue for some should be seen as a problem shared, and the solutions supported by all.

Discussion with key figures in the sector has shown much agreement about useful steps that can be taken that will minimise the occasional risks to trust that may arise, to which we can add the recommendations made by the Audit Commission in their own report two years ago. We have therefore included in this Report some simple and straightforward statements of best practice as it seemed to the chief executives and staff in the sector, drawing also on experience from the private sector, from local and central government and from academia. We hope this Report will be a reminder both of the importance of the issue and of how simple steps can help maintain trust.

Of these steps the most important we believe is openness with the public. All charities should account for what they achieve from spending income from donors. Even in the best run organisations things can sometimes go awry or events develop beyond an immediate capacity to handle the situation. In those circumstances, it really does help to have an already established reputation for openness, candour and transparency in the affairs of the organisation.

Fostering that culture is the responsibility of leadership, both professionally by the managers of charities in the sector day to day and by the trustees who give their time to govern them. acevo as the organisation for voluntary sector chief executives is therefore to be congratulated on taking a lead to examine these issues.

I was delighted to be asked to help in this exercise and I should like to thank all those from the sector who contributed their views, to thank also those who volunteered their experience from different fields to illuminate the issues, and to express my gratitude to Stephen Bubb, and Nick Aldridge and David Hunter of acevo for steering this project to a conclusion.



Foreword

Hugh Biddell

Trust is freely given rather than demanded – so producing a report by Chief Executives on trust may seem on the face of it rather internally focused. When you consider, however, the vital role of Chief Executives as a key window for stakeholders and on delivering the objectives of their charity, then their serious engagement with this issue in a public, open report is worthy of attention.

acevo's role in promoting a passionate and professional sector is one that we at RBS are keen to support and, as a trustee, I know how pivotal the CEO is in the task of putting integrity at the heart of a charity's everyday dealings.

Trust often prevails without any deep scrutiny. Charities currently benefit from the assumption that they are 'good' per se and the sector must not allow the reality to become divorced from the adjective. Being thought 'honest' made Iago's word trusted but with disastrous long-term consequences.

The report shows that sector Chief Executives are not complacent to the need for focus on the competence and integrity of their organisations.

Hugh Biddell, Director of Planning and Business Management, Charities and Local Government, Royal Bank of Scotland.





Executive Summary

The Inquiry

This report summarises the findings of acevo's Research Inquiry into Public Trust in the Management of Charities, conducted throughout 2005.

The steering group comprised leading opinion formers, academics, regulators, policy makers, representatives from think-tanks and chief executives of major charities. It was chaired by Sir David Omand, former Permanent Secretary of the Home Office and the Cabinet Office.

The inquiry focused on perspectives on public trust, and the role of CEOs in promoting and preserving the "charity" brand. The steering group held two meetings, on 28th June 2005 and on September 13th 2005. Statistics from an acevo survey of 207 Chief Executives and 25 Chairs, conducted in April and May 2005, were provided as raw material for the inquiry.

A further focus group of 30 acevo members was held on October 6th, chaired by Sir David Omand. The group discussed and refined the research inquiry's findings and recommendations. A full list of focus group members is provided in Appendix 3.

Opinion pieces were commissioned from key commentators and sector leaders to complement the research.

The inquiry was supported by an acevo secretariat, consisting of Stephen Bubb, Chief Executive, Nick Aldridge, Director of Strategy and Communications, and David Hunter, Policy and Development Officer.

Findings

1. Public trust in the sector, which is considerable, rests on widespread support for its work and a belief in the motives for good of those who work in the sector. It is not based on a full understanding of the issues facing third sector organisations. In particular, members of the public may expect unrealistically high standards of its leaders;

2. Trust can be damaged, or even lost, when organisational behaviour is not seen to match public expectations, particularly through a failure to achieve the organisation's publicly stated goals, to be open with stakeholders, or to manage communications successfully when things go wrong;
3. A clear awareness of the way in which audiences learn about the sector, and how the media interact with the sector is essential in maintaining public trust and accurate perceptions of third sector work;
4. Public trust can also be placed at risk by the associations developed through working partnerships.
 - a. There may be a dissonance between some of the values associated with the sector, including its independence, and its increasing role in the delivery of services on behalf of government.
 - b. Mutual trust between government and charities has also become a key issue: for low profile, service-providing charities, securing the trust of service commissioners is more crucial than the trust of the general public.

Protecting trust: key issues for chief executives

Politics and Media

1. Make sure your press and policy statements are clear, consistent, and robust. Avoid making any statement, or taking any action, you would not be prepared to defend in the future.
 - a. Do not be deflected away from your key messages and into self-censorship by influential stakeholders. Understand the risks involved in "big tent" politics. Build consensus where possible, but be prepared to get out of the tent in order to protect your organisation's reputation.
 - b. Responsibility for communications should be clear: you will need a skilled person at the frontline to recognise and respond to media questions. Look after your own public persona: chief executives are often the public face of an organisation. As a chief

executive you should present yourself as passionate about your cause, and professional in how you lead the organisation. Make sure this role is recognised and supported by your board.

- c. Have a policy in place to guide the tone and content of your communications, and agree limits. For example, will you “name and shame” other organisations?
 - d. Get the facts straight before you go public. It is difficult to regain lost ground after you have appeared to mislead people with a false initial statement.
2. Act quickly to repair any negative publicity:
 - a. Quickly identify and remedy any failings that may have generated a negative story.
 - b. Try never to let a negative comment or factual error go unanswered: send a letter in response. You may not be able to change an editorial position, but you can prevent inaccuracies from reappearing.
 - c. Build relationships with relevant journalists, who are potential allies to your cause. Do not “cut off” communication with hostile journalists or audiences: stay in touch and try to improve the relationship by finding common ground.

Fundraising and communication

1. Maintain channels of communication with all your key stakeholders. Listen to their concerns, and address them where appropriate:
 - a. Communicate with your staff and volunteers, and make sure you are aware of their issues and concerns. Organisations can lose trust internally by not addressing the causes of discontent.
 - b. When problems occur, protect your key relationships. Make sure you tell funders or regulators about major problems before others do.
2. You must have ultimate oversight of the organisation's fundraising strategy. Do not put fundraising into a silo and ignore it: it is too important to be left to the fundraisers!
 - a. Fit fundraising and marketing methods to the organisation and its culture, values and public image. For example, if your organisation bills itself as an expert on certain issues, your fundraisers should have a good understanding of those issues.
 - b. Be aware that some types of fundraising risk alienating donors and the public, who do not view fundraising as a purely commercial activity. Be open and transparent about professionalized fundraising, how it works, and why it is justified.

3. Do not be defensive in response to calls for greater openness about your affairs. Pre-empt potential media “scandals” or demands for greater accountability by making sure that accurate information is publicly available.
 - a. Be positive about your cause, the costs of your operations (including salaries), the challenges you face and even about your failings or the possibility of future failures;
 - b. Be aware that some members of the public are uncomfortable with the idea of a professional sector; so be open about the need for professional standards and professional pay, and the need to finance appropriate levels of overhead costs.

Governance and leadership

1. Plan for the unexpected: talk through the risks you may face in the future, and make sure you have an action plan in place. Ask what keeps your managers or trustees awake at night. You should know how you will respond, and who will lead the initiative. You should consider using the following prompts:
 - a. What actions can others take that will affect us? How should we respond and who is in charge of preparing?
 - b. What is our business (e.g. delivering services, campaigning for change, connecting members), and what could go wrong?
 - c. What self-imposed risks are we taking on (e.g. staff expansion, new IT system), and how are we managing them?
2. Ensure that your priorities and strategy protect your independence and closeness to service users and the public, which is crucial in maintaining public confidence in your ability to achieve your mission.
 - a. When working with government, you should seek to ensure that the outputs and performance measures attached to contracts also protect these features. If you are in a position to be selective about your funders, only accept funding from those who support your mission, objectives and strategy. Work hard to maintain the trust of service purchasers and commissioners.
 - b. Be transparent about deals done with the private sector; for example in fundraising collaborations or in allowing access to your membership, and make sure the tone and relationship are appropriate to your organisation.
 - c. When working with external partners, be bold from the beginning of the negotiation and collaboration about the rules of engagement, and about protecting your organisation's own interests and strengths.



3. Work closely with your board to ensure that governance structures and practices are fit-for-purpose, ensuring accountability while enabling effective decision-making.
 - a. Trustees may have joined the board because they believe in the cause. Be clear about what good governance means, and about the role of non-executives. The same applies to patrons and presidents: define their role and make sure they are informed and guided.
 - b. Seek to establish board development procedures within your organisation, and push for a skills audit where possible. The board should recruit, select, develop and, if necessary, remove trustees in accordance with good practice.
 - c. Ensure you have robust procedures and practices in place to improve customer service and respond to any complaints.
2. The sector as a whole, and individual organisations, must highlight publicly the standards to which organisations conform, including:
 - a. The sector's Code of Good Governance, or other governance codes,
 - b. Fundraising standards and regulations,
 - c. Hallmarks of an Effective Charity, and other guidance from the Charity Commission
 - d. Publishing the reports of Charity Commission review visits.
3. The sector as a whole must be more open about its overhead costs and operations, including salary details. Individual charities will place themselves at a disadvantage through greater openness if others disguise the true cost of their work.
4. Support and development for chief executives and trustees is vital in developing and sharing the sector's expertise in dealing with the issues recognised above:
 - a. acevo and other networks should encourage peer learning and informal self-help in recognising and dealing with these issues;
 - b. Charities should continue to support the role of regulation in preserving trust, but diverting more attention towards further regulation is not likely to be as effective as action by the sector itself in promoting public confidence.

Joint initiatives for third sector chief executives

- I. A coordinated, sustained effort to update public perceptions of charities and improve trust is needed, and this may be best undertaken by cluster groups (e.g. social care providing charities), rather than through a sector-wide strategy;





Introduction

How Important is Public Trust in Charities?

Charities exist for moral purposes – good administration and sound finances are important to charities, but are not ends in themselves. This moral purpose requires authority and legitimacy, making their public reputation and trustworthiness a key asset, perhaps even more central than it is for businesses. In our sector, financial success is no substitute for public goodwill.

When people trust charities, they are relying on them to fulfill their voluntarily accepted duty to recognise and protect the rights and interests of all those they engage with. Trust forms the basis of charity law, through which organisations hold money “in trust” to achieve charitable objectives. Without this trust, individual charities, and the sector as a whole, could not exist.

The UK is fortunate in having a highly developed third sector; trust in charities is an asset for wider society. Some commentators¹ have drawn attention to the strong correlation between national economic efficiency and high levels of trust in institutions. They argue that the broader social trust generated by voluntary association, catalysed by the third sector, is crucial to the efficient running of the national economy.

Many of the sector’s leaders share this view of the importance of trust. Baroness Greengross, formerly CEO of Age Concern, has said that in running a charity, “Your name is the most important thing you have”. Robert Napier, CEO of the WWF, has said that protecting trust in the charity’s “brand” should be the top priority for a chief executive.

Is public trust at risk?

The media and policy makers have focused ever more closely on potential breakdowns of public trust. For example, trust is now mentioned 17 times a day in the Guardian, compared to 6 times a week in 2000. According to the World Values Survey, only 35% of the public now think most people can be trusted, down from 55% in

1960. Trust in central and local government, and in businesses such as building societies and insurers, has plummeted since 1998.

Although 90% of the public still “respect what charities are trying to do” (NCVO 2001), only 56% say they trust charities more than government or business, and charities are less trusted than churches (nfpSynergy 2001/2).

The recent experience of certain fundraising charities in Scotland and the USA has shown that trust in charities can be fragile. Scandals over misappropriation of charitable funds in Scotland led to a considerable loss of trust in the sector as a whole. One poll in *The Herald* suggested that 52% of people were less likely to give to charity following the scandals.

Responding to the overwhelming response by donors to the events of September 11th 2001, the USA Red Cross allocated some of the charitable money to long-term projects, in addition to its immediate response. Some members of the public and voices in the media saw this as a betrayal of trust, ultimately forcing the organisation’s President to resign. The sector must ensure that parallels cannot be drawn with the international fundraising responses to other major disasters.

Our Inquiry

Our inquiry sought to answer five strategic questions on public trust in the sector, focusing on the perspectives, experiences and role of the chief executive:

1. Do CEOs agree on the importance they should attach to public trust in their organisation, and in the sector as a whole?
2. How much of their personal effort should CEOs devote to promoting public trust in their organisations?

¹ For example, Fukuyama, F. (1995). *Trust: The social virtues and the creation of prosperity*. New York: Free Press, quoted in Lee and Sargeant (2004) “Donor Trust and Relationship Commitment in the U.K. Charity Sector: The Impact on Behaviour”

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3. How important are openness, accountability, and good governance within this agenda?
 4. To what extent are there specific reasons to be concerned over future public trust in the sector and what should the sector look out for by way of warning signs?
 5. What measures, if any, should the sector take to support and encourage public trust?

Findings of the Research Inquiry

The following chapters summarise the findings and discussions of the research inquiry steering group, chaired by Sir David Omand. The steering group's first meeting was held on 28th June 2005. Presentations were made by Vicki Cooke, John Low and Andrew Hind.

David Omand introduced a discussion on public trust in institutions in general, and in charities in particular: How are conceptions of trust changing, and what are the implications for the sector? The notion of openness was central: how should organisations manage public understanding and information?

Vicki Cooke led the group in examining how communications can affect trust. The steering group considered whether the public is becoming more sceptical: is the decline in trust in institutions significant and what are the implications of reduced participation in

democratic governance? It also discussed the dangers of failing to bridge the gap between the perceptions and realities of charitable practice.

John Low raised the question 'What does it mean to be a Charity professional?' How do charity professionals, especially leaders, behave in a way that is both passionate and professional? What distinguishes charity professionals from leaders in other sectors? How should charity leaders personally maintain and manage trust in their organisation?

Andrew Hind, CEO of the Charity Commission, introduced a discussion on the role of regulation in preserving and promoting public trust in the sector: Which responsibilities rest with the regulators of charitable activity, and which with the organisations themselves? What should be the response of the regulator to claims that public trust in the sector is declining?

Statistics from an acevo survey of 207 Chief Executives and 25 Chairs, conducted in April and May 2005, were provided as raw material for the inquiry. The second steering group meeting took place on September 13th, and explored potential action points in response to the group's initial findings.

A full list of steering group participants and biographies of key speakers can be found in Appendices 1 and 2.



Chapter 1

Trust – The Context for Charities

The shift in trust

There is plenty of trust around, but it is unevenly distributed. Trust remains strong between private individuals, but has weakened considerably in relation to national institutions, particularly political ones. This disparity has clear implications for third sector activity: organisations that are seen to engage directly with their stakeholders will be more trusted than those seen as more remote, for example those primarily working to influence policymakers behind the scenes.

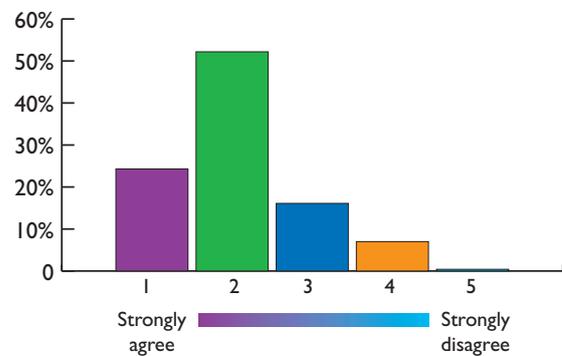
The number of people who say they trust political leaders to put the interests of Britain before that of their party has declined dramatically, from nearly 40% in 1974 to just over 15% in 2000. The YouGov poll between the 2001 election and last year reported a fall from 56% to 25% of those who felt that the government had been honest and trustworthy. There is thus a sharp decline in trust in political institutions. Ministers such as Tessa Jowell have taken active steps to explore, and attempt to redress, the apparent breakdown of trust in political institutions and politicians.

One response by government to declining levels of trust has been to “export” the problem away from ministers to independent or quasi-independent institutions. Organisations such as the Bank of England, and the Food Standards Agency, have taken on a growing list of responsibilities. This approach may prove unsound in the long-term, as it can reinforce the impression that governments made up of democratically elected representations cannot be trusted with certain decisions that affect the public. A key question for charities is the degree to which they are caught up in these moves, and are susceptible to taking on surrogate accountability.

The government is also eager to build citizenship and confidence, both close correlates of trust, in communities. Figures show that trust is falling in the lowest social class. By greater involvement in charities – for example through volunteering – local pride and engagement can be restored. Again, this makes charities attractive vehicles for delivering government policy.

A third response by government to declining levels of trust has been a drive towards greater “transparency”, through more rigorous and comprehensive reporting standards. Such moves aim to demonstrate to the public that there are no secrets, and no hidden agenda. There is some support for adopting such an approach among the sector’s leaders, although recognition that “transparency” must be much more than publishing minutes of discussions on their websites. It must involve serious efforts to communicate with the public in plain English.

Question 31: “The more information the public has about the impact of charities, the more they will trust us.”



77% of respondents agreed that the more information and understanding the public has about the impact of charities, the more likely they are to trust them.

Recent times have seen the rise of single issue groups, political examples being the UKIP and Respect parties. This may reflect increasing dissatisfaction in some quarters with the political establishment’s ability to give voice to strongly held opinions. Many campaigning third sector organisations, such as Amnesty International and Greenpeace, have experienced dramatic rises in membership. We may view them as occupying the middle ground between political institutions (not widely trusted) and informal personal networks (widely trusted).

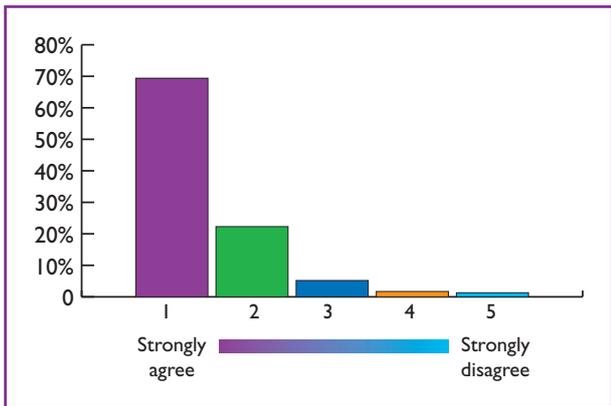


A strong position for Charities

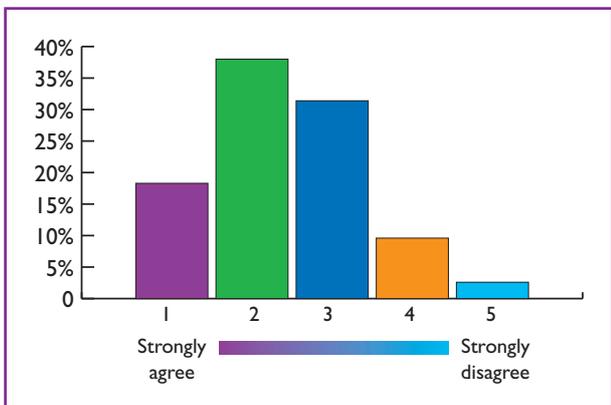
Strictly, one could argue that trust is always personal. It is a relationship between people, not organisations, based on acceptance of the other's word without verification. However, companies and organisations often acquire personalities: like people, they can delight in success, but they can also turn inwards and become deeply split, or give the impression of suffering nervous breakdowns. Moreover, organisations can become quickly identified with individuals. Trust in an institution may become closely correlated with trust in the integrity of an easily recognizable figure, such as the chair or chief executive.

As a result, the public can look on institutions almost as they would regard people, projecting personal standards of behaviour such as integrity, or trustworthiness, onto them. For charities and the third sector this really matters: organisations must recognise and respond to this trend. Our research showed that almost all third sector organisations recognise the importance of creating, maintaining and developing trust in their work.

Question 1: "Maintaining public trust is vital to achieving my organisation's objectives."



Question 3: "Public trust is my organisation's most significant asset."



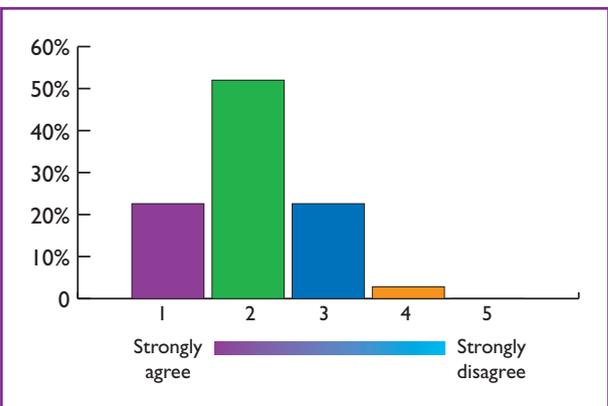
Consider two related concepts of trust:

- a. trust in *competence*: to be believed without further proof that you can deliver what was promised; and

- b. trust in *integrity*: to be trusted to act from stated motives and not from hidden or private agenda.

These concepts reflect different dimensions of public trust in institutions. A social welfare service might have a high reputation for competence, for delivering the promised service. But those running it might not be fully trusted in terms of their motives: people may believe that they see it as a business like any other; or that they will fail to speak their mind about the policies of the institutions that fund them. This second concept brings issues of independence into sharp relief.

Question 37: "The public trusts charities because it believes they are independent from government."



75% of respondents stated that the public trust charities because of their independence from government. At present, charities are seen as more honest and possessing greater integrity than government, yet they are not free from government influence. The boundary between third sector and government is already blurred, for example by charities that are established by government agencies.

Several research studies have suggested that few members of the public understand the extent to which charities are funded by government. Charities as a whole receive 37% of their funding from government, and for some charities levels of funding from government are much higher. Many major charities, including Turning Point, NCH and Leonard Cheshire, receive the majority of their funding from government. This may have the potential to alter public trust and attitudes towards charities.

Recent research for the Charity Commission showed that 69% of the public say they do not know how charities are run. Is it sensible to shelter behind this position, given the increasing publicity given to managerial failings? And can trust be protected even if it comes in the form of 'blind faith'? At the very least, organisations should be aware of some of the pitfalls inherent in this situation. The key issues suggested in this report's executive summary provide a basis for identifying and avoiding such pitfalls.



Essays on trust – I

Trust in Charities: First Trustworthiness, then Trust.

Baroness Onora O'Neill,

Principal of Newnham College, Cambridge.

Over the last decade many institutions and professions in the UK have found themselves less and less trusted. Could this happen to charities too? A loss of public trust would be disastrous for charities, since they cannot raise funds or do their work without a very large measure of public trust and good will.

Or is the fact that a great deal has already been done and is being done to improve the governance and regulation of charities, and to make them more trustworthy, likely to save them from this fate? Over the last decade charities have made many changes in their governance and in their modes of accountability: trustee responsibilities have been clarified; charity accounts conform to the new Charities SORP; many of the larger charities inform members of the public very fully about their work and activities on websites and in glossy publications, which set out aims and objectives, identify trustees and senior staff, explain programmes and activities and provide extensive financial information. And the Charities Bill is hopefully about to become the Charities Act. These measures have been introduced to make charities more trustworthy: but will they make them more trusted?

One might think that there is no problem, because the evidence is that charities are in any case well trusted. With improved governance and accountability, hence greater trustworthiness, any decline in trust should be forestalled. But while the newly strengthened forms of regulation and governance may increase trustworthiness, there is little evidence that they increase trust. On the contrary. The regulatory revolution that has reshaped the institutional landscape of the UK across the last 20 years, transforming governance and tightening accountability, has probably produced more trustworthy performance, but has seemingly coincided with (continuing) decline in trust in many institutions and professions. Why has this happened?

One well-known view is that trust declines when we lose the informal, intermediate institutions of civil society, which underpin relations of trust. This view was put persuasively in the 1990s by American social theorists such as Francis Fukuyama and Robert Putnam.² Fukuyama thinks of trust as cultural glue that provides 'social capital' in high-trust

societies, but is missing or damaged in low-trust societies. On this view, trust once squandered is hard to restore. Trust is based on social rather than individual virtues, and once we find ourselves in low-trust societies there is little we can do – except replace the informal structures that nurtured trust with formal systems of accountability. This, of course, is just what has been happening. But can we hope to preserve trust in charities by imposing on them the structures characteristic of low-trust societies? Does not that amount to reforming the institutions that are basic to high-trust societies to make them more like the institutions characteristic of low-trust societies? If other institutions that have been subjected to exemplary regulation and governance find that they are still not trusted, or even are less trusted, would more regulation and better governance make charities more trusted?

This view of trust as perpetually vulnerable social capital is I think too pessimistic. There are things that we can do to maintain or secure others' trust, but they are not merely a matter of taking the steps needed to secure trustworthiness. Trust is not merely an attitude or cultural assumption that floats free of evidence: but it is a response. It is a response to the evidence that people actually obtain and assess. Merely making evidence 'available' to the public at large, as the fashionable demand for transparency requires, is often not enough to secure trust. If we are to judge for ourselves, we need genuine communication, in which we can question and observe, check and even challenge the evidence that others present or draw to our attention. Mere disclosure of supposed evidence that charities are doing good things, and doing them effectively and efficiently, will not be enough to secure trust unless others actually find and can check and challenge, accept or (if unconvinced) refuse that evidence. Charities which engage more actively with their supporters, who explain what they do, the standard to which they do it, how difficult the work can be and why things do not always work out may provide a reasonable basis for trust. Laying out the evidence, warts and all, may provide a rather better basis for placing – or refusing – trust than any number of glossy publications that trumpet unending success.

² Francis Fukuyama *Trust: The Social Virtues and the Creation of Prosperity* Free Press NYC 1995. See especially Ch. 2 'The Idea of Trust'. Also Robert Putnam (1995) 'Bowling Alone: America's Declining Social Capital', *The Journal of Democracy*, 6:1, 65-78. *Bowling Alone: The Collapse and Revival of American Community*, Simon & Schuster, 2000.



So, even if they are fairly confident that they are trustworthy, charities need to think carefully about trust. This, of course, includes thinking about the unpleasant topic of the small number of charities, trustees, fundraisers and staff who are not wholly trustworthy, or not particularly efficient or effective in their use of charitable funds, who thereby damage the reputation of all charities. Here regulation and governance are important. But informal ways of spreading good practice, including ways of warning those whose competitive tactics, slanted publicity or intrusive fundraising become a matter for concern, may also be to the point.

However, formal and informal methods for dealing with the untrustworthy are not the only issue in maintaining trust (although lack of such methods could fuel mistrust). Trust may be better supported by an active culture of genuine communication – perhaps one that apes neither the necessarily constrained communication of public bodies, nor the boastful tone typical of commercial communication. Charities that know their purposes, talk to their supporters, collaborate with those doing similar work and tell it like it is both to beneficiaries and to the wider public are more likely to secure trust than those that rely solely on the perfection of their governance and their compliance with regulatory requirements.

Onora O'Neill was born in Northern Ireland in 1941 and educated partly in Germany and at St. Paul's Girls School in London. She studied philosophy, psychology and physiology at Oxford, and went on to complete a doctorate at Harvard, with John Rawls as supervisor. During the 1970s she taught at Barnard College, the women's college at Columbia University, New York.

In 1977 she returned to the UK and took up a post at the University of Essex; she was Professor of Philosophy there when she became Principal of Newnham College, Cambridge, in 1992.

She has chaired the Nuffield Council on Bioethics and the Human Genetics Advisory Commission, and she is currently chair of the Nuffield Foundation. She has been President of the Aristotelian Society, and a member of the Animal Procedures (Scientific) Committee. In 1999 she was made a life peer as Baroness O'Neill of Bengarve, and sits as a crossbencher.

She has written widely on political philosophy and ethics, international justice, bioethics and the philosophy of Immanuel Kant. Her books include:

Bounds of Justice (2000)

Towards Justice and Virtue (1996)

Constructions of Reason: Exploration of Kant's Practical Philosophy (1989)

Faces of Hunger: An Essay on Poverty, Development and Justice (1986)



Essays on trust – 2

Trust, Leadership and Public Good

Tom Bentley, Director, Demos

Trust in charities reflects a particular worldview. People who trust charities approve of what they stand for: an independent, apolitical and altruistic mode of operating. Charitable status gives these characteristics an institutional legitimacy, reinforcing trust.

The realities of charitable status do not always chime easily with this worldview. Thinktanks, for example, may be seen by some as cynical, even manipulative organisations, hovering between political power and true accountability. Campaigning NGOs may be thought of as political rather than charitable, and independent schools as private, only meeting the needs of the comparatively wealthy. Many people do not realise that either group is charitable. The diversity of charities and lack of public understanding therefore provide a weak basis for public trust, posing problems for those seeking to preserve and promote public trust in the sector as a whole.

A complex range of factors influence trust in organisations. They may include the organisation's leadership, brand, media coverage, size, history and ethos, as well as the direct experiences of customers. Organisations' most formal characteristics may provide the most sound basis for public trust in the sector. Charities' legal duty to provide public benefit, and the concept of trusteeship in governance, are both good candidates.

The finding that charity leaders do not consider themselves more trustworthy than business leaders reflects a potentially explosive dilemma. Firstly, the key role of individual personalities in determining and delivering a cause for public benefit causes tensions in itself. Secondly, the widespread myth of the "hero leader", combined with the limitations and constraints of trusteeship, creates a paradox.

Trustees are often selected on the basis of their day job, which will continue to occupy almost all of their time. The limited time and energy trustees are able to devote to their governance role can make it difficult to scrutinise and challenge the recommendations of chief executives. The rigorous levels of independence expected from trustees may conflict with the other pressures and drivers on organisational performance and accountability. Moreover,

expecting high levels of commitment and expertise on a part-time, unpaid basis is not always realistic. This may explain the finding that few chief executives feel their trustees are able to act as the organisations' primary guardians of public trust.

Managing public perceptions

Public ideas of commonsense fairness – with respect to the salaries of executives, for example – may bear no relation to organisational reality. Very few members of the public will have a good working knowledge of charity law, and how charitable governance is supposed to function. Nonetheless, a significant proportion will have direct experience of the workings of a charity, through volunteering or public services for example. This may increase their understanding of organisational dynamics.

Trust indicators show that people trust doctors, nurses and teachers to tell the truth far more than they trust journalists or politicians. This isn't just because the former are recognised professionals. It also relates to the human face to face contact that is their primary mode of interaction with the public.

In the same way, we may need to categorise charities based on their forms of interaction with the public: direct service provision, opportunities to give or volunteer; strategic influence over government or other institutions. Each form of interaction will raise different issues of legitimacy and trust. Organisations are often engaged in many different modes of interaction at once. Campaigning NGOs, for example, may publicly condemn government policy, while privately advising officials on how to mitigate its negative effects. Exposure of this practical reality may lead the public to believe that charities are duplicitous, or no different from other organisations.

The public has an increasing understanding of the media's influence. All executives seeking to manage their own careers must now include public positioning in their leadership strategies. To retain trust, this positioning must reflect a clear and recognisable value base. Organisations must also practice what they preach, and avoid obvious inconsistencies. Nothing undermines public trust as quickly as the perception that public figures will say anything to win influence or to extricate themselves from difficult

situations. Charities must avoid this fate, particularly as they become prominent and increasingly subject to media criticism or accusations of scandal.

Responding to the risks

Responses to these risks must address scope, range and fitness for purpose. Seeking catch-all qualities of organisations or universal regulation of their leadership will not meet the challenge. Instead, they should ensure that an organisation's range of activities align with its stated aims and values.

People's trust in government was damaged by accusations of sleaze in the 1990s, where public office was seen to be linked to individual greed. In broader terms, people stop trusting organisations that aren't honest, consistent and transparent. Organisations that wish to preserve this image must, for example, recognise their mistakes openly and rectify them rapidly.

Charities may well be vulnerable to government's tendency to export problems of public trust. They need profile and prestige, influencing and funding. Community safety or intercultural dialogue, for example, are areas where government may look to local civil society to address the challenges. Charities may consider they have a duty to use their assets, including public trust, to address these intractable problems and as a result find themselves in complicated situations.

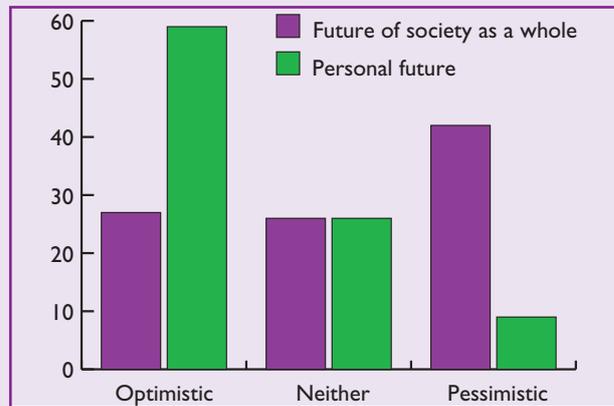
The danger is that the strings attached to large amounts of public funding may cancel out the advantageous characteristics of the organisations receiving it. Manuel Castells has referred to NGOs as "neo-governmental organisations", since many supplement state activities and some could not exist without government funding. He argues that therefore they are no longer rooted in the giving impulse or in altruism.

More generally, in working with government, organisations can find themselves forced to be more regulated, remote, bureaucratic and inflexible, undermining the flexibility and closeness to users that made the organisations so attractive to government in the first place. Public trust and formal accountability may sometimes be in conflict: organisations often cite the high levels of trust they enjoy as evidence that more comprehensive regulation is unnecessary.

Trust and public good

People are consistently ready to believe that their own experience is more positive than that of society as a whole. This trend is consistent across the industrialised countries.

Hopes for future prospects: personal views compared with society as a whole



Source: www.Sociovision.com, reproduced in Demos 2005, *Start with People* (p.17)

Relentlessly negative media coverage provides one explanation: people want to see their own experience in a more positive light. Another explanation is that people are now trained not to trust institutions in general.

Formulating a response is problematic. In *Start with People*, we argue that some organisations are able to act as intermediaries between the local and the collective, functioning as trust-building organisations. They can empower people by increasing their confidence in individuals' ability to change wider social arrangements, and also increase people's willingness to trust others. Charities provide an obvious, but not exclusive vehicle for this role, depending on their historical reputation and contemporary reality.

Given the public's continued willingness to trust and engage with charities, why should they care about the alleged crisis of public trust? Because public trust in public actions and public institutions is fundamental to charities' ability to achieve their missions. But even more importantly, the existence of public trust confers wider public benefit for society and the public realm, including charities. These issues require a collective response from charities: they should actively work to support and promote these wider benefits, rather than focusing narrowly on their own trust.



Tom Bentley has led Demos since 1999. Prior to that he was a special adviser to David Blunkett MP, then Secretary of State for Education and Employment, where he worked on issues including school curriculum reform, social inclusion and policies for creative learning in the knowledge economy. Demos has played a leading role in the formation of policy ideas and analysis of government reform over the last decade. It has also established an international profile as an independent source of ideas and innovation across all sectors. More recently, Demos has become known as a 'do tank', providing consultancy and organisational strategy alongside its more familiar forms of research and policy ideas.

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Chapter 2

Trust, Communications and the Media

The power of the media

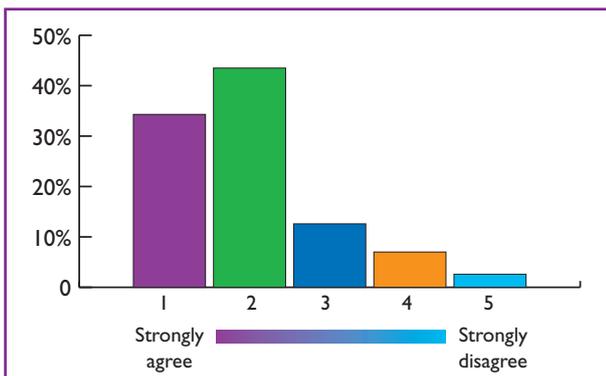
Recent times have seen the end of 'the age of deference': cynicism and scepticism about institutions is rife. Public trust is now concentrated in people and institutions to whom they directly relate, and consider to have no hidden agenda. Thus people who are directly known still score the highest on trust issues:

- 85% of those surveyed trust people or things they feel they have a *direct relationship* with;
- 64% trust friends and acquaintances more than authority.

Established charities may easily be associated with the "official voice", and therefore lose trust.

Moreover, the public usually fails to bridge the gap between the two categories. Positive personal experiences gained through direct contact with institutions do not necessarily lead to greater trust in those institutions. They are frequently dismissed as aberrant – the "I've been lucky" syndrome – and do not replace negative perceptions gained through the media or through anecdotes from trusted others.

Question 32: "A negative media campaign or story can shatter public confidence in a charity more quickly than anything else."

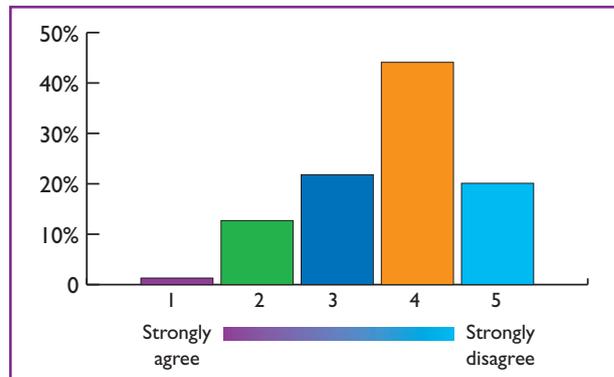


Credible and meaningful trust takes a long time to develop, but little time to damage or destroy.

Communications, in particular negative media articles, can rapidly damage trust.

78% agreed or strongly agreed with our statement: the power of the media in helping to either create or destroy trust is widely acknowledged. This clearly implies that charities will need to be 'media savvy' if they are to preserve their public trust, or avoid situations where it could be damaged.

Question 28: "Public trust in the sector would survive several scandals involving major charities."



64% believed that public trust in the sector would not survive several scandals involving major charities. This illustrates the disproportionate importance of the largest charities, and again demonstrates the power of the media. We suggested in Chapter 1 that the public might trust charities in the same way as it trusts people. In the view of chief executives, however, the public will generalize across charities in response to scandals affecting only a few.

It may be that local charities are more able to retain trust by public recognition of the good work they have done. The communities they serve may dismiss negative media stories more readily than the remoter supporters of large national or international charities.

Respondents to the survey commented:

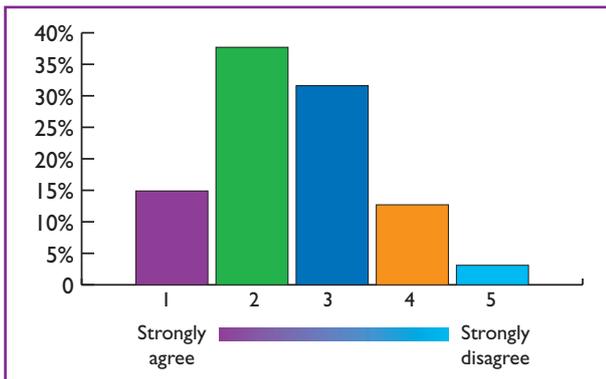
“The issue of trust is probably different for large national charities than ones like ourselves. As a local charity the trust and respect felt by the public for us is as a direct result of how our work has touched their lives. The result of this is that we can survive the odd negative press story relatively unharmed. The large charities do not appear to have the same coverage and linkage between donors and service users.”

“On the whole, smaller charities enjoy greater public and local trust than very large national charities, because the work that they do is often very obvious locally.”

Although only 20% of the British public says it “tends to trust” the press, trust among the general public in some parts of the media is very high. This has consequences for the way charities communicate.

However, there are perceived limits to the sector’s ability to use the media as an ally.

Question 43: “Only by educating journalists to understand the sector better can we maintain public trust.”



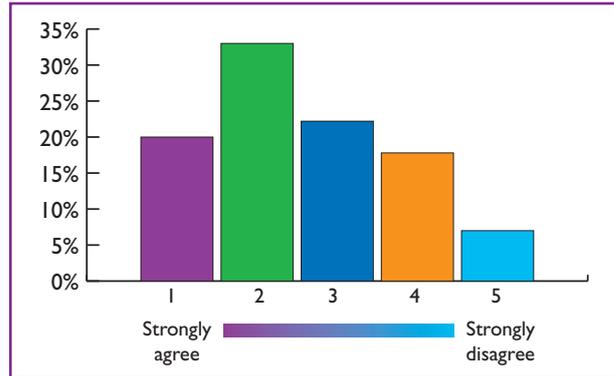
Only 53% claimed that educating journalists was crucial to public trust in the sector. Journalists have a large responsibility for shaping popular consciousness; as well as shaping opinions, they affect trust. Yet they are not perceived by all as potentially the most important allies for the sector; perhaps indicating pessimism about the likely results of such a campaign. Respondents may feel that they cannot stop journalists’ search for scandals; however, by educating journalists about their operations they can ensure that stories are placed in an accurate context.

A media campaign to improve trust?

The idea of a single media campaign to highlight charities’ changed role and responsibilities met with a lukewarm response from the steering group.

The sheer diversity of organisations in terms of size, stakeholders, objectives and funding invited objections to the idea.

Question 42: “The sector should coordinate an advertising campaign to highlight the changing nature of charity.”



Our survey results overall showed some support for such an initiative, with 55% agreeing that the sector should coordinate a campaign to highlight the changing nature of charity. In support of this suggestion, research has demonstrated that the public trusts government adverts more than government news.

However, the difficulties identified by the steering group were reflected in individual responses to our survey:

“I am worried about the implications of the last section... “the sector” taking positive action to change public attitudes or educating journalists. I believe we are so diverse that this is not realistic and that groups of charities with shared objectives/methods of working will do better than trying to find a one size fits all approach for the whole sector. The private sector does not work that way and neither do we. The building industry, insurers or bankers will separately try to get their group message of trust across to the public. I think we will do better if we follow that model.”

Dangerous tactics for charities?

Intentions and ambitions should not be disguised, and charities should be encouraged to be bold about their agendas. This boldness should be reflected in all their communication; it is pointless, for example, for so much



annual reporting to focus primarily on financial information, when goals are primarily social or environmental. Moreover, bringing stories to life builds trust far more powerfully than dryer content. However, charities may sometimes place their reputation for delivery at risk by playing on the magic and ambition of their work, for example in ending global poverty.

The steering group thought that aggressively commercial techniques of fundraising and communication, such as 'charity mugging' by face-to-face fundraisers, might need to be addressed or explained to preserve public trust. Perhaps part of charities' trust derives from the fact they are seen as "softer", or perhaps "friendlier" (and less aggressive) than other groups or companies. Respondents to the survey commented:

"The passion and commitment which leads to a charity being formed in the first is too often lost when charities become highly commercial business whose main purpose is to promote the charity and not the cause... It does appear that The Charity Commission has done nothing to address the fall-out in public trust within the sector due to this effect."

Another CEO of a high-profile international aid charity commented:

"Donor trust is more important than public trust for every individual charity... [It] is undermined by over-use of "business" like techniques. Feelings are not for sale."



Essays on trust – 3

Trust in Charities: Public Perspectives

Viki Cooke, Joint CEO, Opinion Leader Research

The conventional wisdom is that trust between authority and the public has been breaking down in many spheres of British life, a trend that is being felt by institutions everywhere. Yet, our research shows that the nature of trust has not diminished but changed. People trust differently; their loyalties are shifting from traditional business, governmental and institutional authorities to people they know, or feel they know.

The prevailing lack of trust in institutions has been decades in the making. In politics it has stretched from the sleaze scandals of the Conservative party's years in power to the dashed hopes for a "whiter than white" Labour government in 1997, culminating in the breakdown of trust over the Iraq war and perceptions of slow public service improvements.

In the business and financial worlds mis-selling of endowment policies, pension fund mismanagement, corruption scandals and controversy over executive pay have all added to a mood of mistrust and cynicism of organisational motives.

In a world without trust there is a danger for organisations that are regarded as part of the establishment or, associated with "official voices", also to be rejected. National charities may lose out here, whereas local charities are more able to retain trust by public recognition of the good work they have done – the communities they serve may dismiss negative media stories more readily than the remote supporters of large national or international charities.

Savvy customers

The ability to access information about whatever you want whenever you want has given the public unprecedented power and choice, with people increasingly taking control of the way they learn and inform themselves. The rise of the internet is the ultimate tool of empowerment. It has revolutionised the nature of influence and communications with bloggers and minority interests challenging organisations and authority.

This proliferation of information plays an important role in the shift in trust and particularly in the plummeting trust rating of conventional media. But the public's relationship with the media is complex. Research we conducted for Sir Bob Phillis' review of Government communications confirmed that despite the public's clear misgivings they went on to adopt those views and opinions that they read and heard as their own.

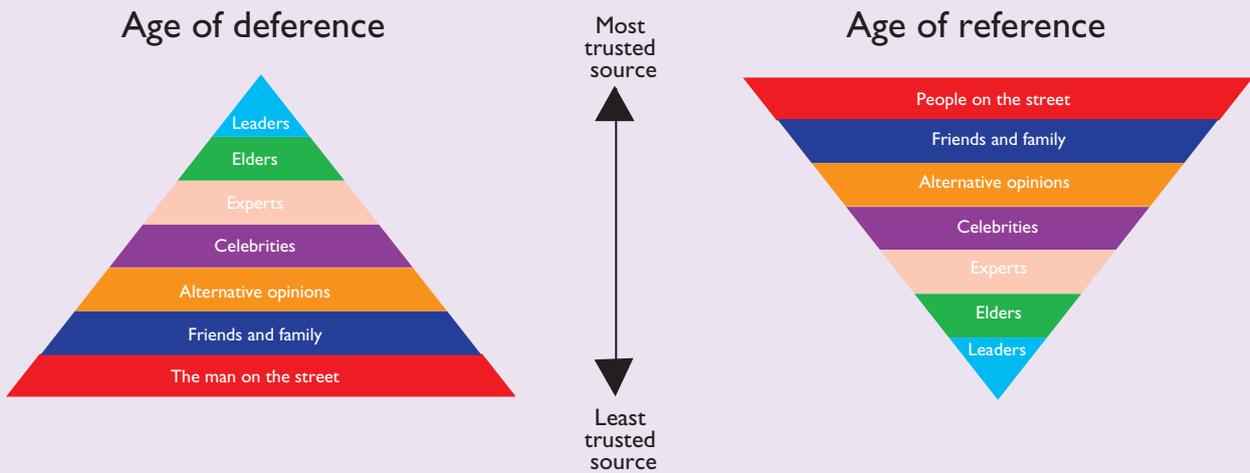
Shoot the messenger

We have found that the impact of frightening headlines, shocking personal stories and the 'spin' of politics often negates positive consumer experience of public services. The relative 'volume' of negative messages is so great that people believe their own 'good' experience is a 'fluke' and not representative – something we have termed the "I've been lucky syndrome". In a recent exercise³ looking at public attitudes to the NHS researchers found that even though 87% of people were satisfied with services provided by their GP and 92% record high satisfaction ratings for inpatient treatment, only 62% of the general public say they were satisfied with the running of the NHS overall.

Trusting differently

This negative picture does not tell the whole story. There is clear evidence that we still trust but have transferred where we place that confidence. Instead of automatically trusting authoritative bodies, we challenge that trust. 85% of our opinion leaders' panel agree that we don't trust less but we trust differently – we are more likely to trust people we have a direct relationship with than institutions who used to be trusted routinely.

³ Public Perceptions and patient experience of the NHS, 2005.



There has been a fundamental shift from an age of deference where the public looked up to and trusted distant power to an age of reference where the public is far less trusting of authority, preferring to seek out others with similar experiences to themselves or sources that have earned respect.

The debate that ensued around concerns about links between the MMR triple vaccination and autism is a good example of how the public deals with the mass of information available and who they trust.

The most trusted “voice” was not the government’s minister of health, or representatives from the General Medical Council (GMC) but the daytime television presenters, Richard Madeley and Judy Finnegan. Popular chat shows have real power: people trust them as they feel they have a direct relationship with the presenters, who, they believe, represent their interests in challenging Ministers and experts through the programme. This case study also reveals a gulf between “opinion leaders” and the public. 56% of the opinion leaders surveyed by Opinion Leader Research trusted the GMC’s account, while only 5% trusted Richard and Judy.

Table 1: Who did the public and opinion leaders trust to give them accurate information about the MMR vaccination? ⁴

MMR – Trusted to give facts

		Opinion Leaders	General Public
General Medical Council		56%	18%
Health Secretary		16%	11%
Popular TV Programme		5%	34%
Alternative Medicine		7%	10%

⁴ Opinion Leader Research studies, conducted October 2002. Base 104 opinion leaders, 1001 general public.



Social influencers

Added to this there has been an increase in the socialising of society, and a rise in the memberships of clubs, gyms, and voluntary organisations⁵. Through a network of friends and acquaintances the public are able to gather effective information that they trust.

Our research has identified that there are highly influential members of the public in all walks of life – you find them in the work place, on the PTA and in the pub – who are trusted sources of influence. These are people who are engaged, articulate and informed individuals who shape opinions within their peer group – we have called them “social influencers”.⁶ 64% of opinion leaders believe that the influence held by traditional authority figures has waned and that nowadays friends and acquaintances are more likely to influence opinion.

Implications

Trust can no longer be assumed by those in authority, it has to be earned by every individual, commercial organisation and public institution. A key factor in gaining trust is “telling the truth at all times and being straightforward about the limitation in that truth”. 84% of a panel of authoritative figures in the communications sector believe that successful organisations are those that strive for total transparency and openness.⁷

For a charity to be successful it is vital that it looks at the world through other people’s eyes – to try to understand more what they are saying, thinking and feeling. Organisations need to decipher how they can gain trust from the public and identify what sources of information they turn to.

The changing way in which trust operates in society means that ‘people we know’ are the new influencers. This creates a need and a real opportunity for organisations to find ways of connecting with the individuals that are most influential. Engaging ‘social influencers’ within an organisation in a real conversation will have a significant impact. These employees can be an organisation’s most powerful ambassadors.

Our research shows that people want organisations to become much more human and to behave like trusted friends. Charities need to keep in touch with the public and be more responsive – they need to build more intimate relationships. It is key to listen to and engage the public by using their language and arguments that are compelling.

Challenges and the future

So the challenge for the third sector is develop meaningful relationships with the public – stronger and more personal rather than short term, impulsive transactions. Charities should be very wary of short term tactics, such as chugging and the overuse of direct mail.

Citizens are increasingly being asked to participate in many aspects of policy and decision-making in the public sector – such as Primary Care Trusts and urban regeneration. We believe this more mature deliberative discourse – informing, engaging and involving the public – builds respect for organisations, as well as delivering quality services and making better decisions.

The Government has asked us to pioneer the largest piece of public consultation ever conducted in Britain – *Your health, your care, your say* – the ideas and views generated by the public will be used to shape the department’s white paper on “Health outside Hospitals” and ultimately the future of the NHS. This marks a new departure for democracy – a new way of doing politics – and long term could be a turning point for building a new relationship of trust between government and citizens, based on openness, transparency, information, honesty and high quality debate.

Viki Cooke is Joint Chief Executive of Opinion Leader Research. Following a successful career in advertising, communications and planning, Viki co-founded Opinion Leader Research – an innovative research consultancy with an unparalleled reputation for ‘reaching the people other agencies cannot reach’, whether Chief Executives or socially excluded communities. Viki has played a leading role in developing new thinking about the drivers of corporate reputation, the use of deliberative methods to help shape policy, and ways of identifying, understanding and engaging with an organisation’s social influencers. Such new approaches draw on her extensive experience with a diverse range of clients – these currently include both major corporations (Accenture, Barclaycard, BBC, British Airways, Capita, News International) and government departments (Cabinet Office, COI Communications, Department of Health, Department for Education and Skills, Department of Trade and Industry).

Viki is also co-founder and Non-Executive Director of The Smart Company, a consultancy specialising in corporate social responsibility and is a Trustee of the Global Action Plan.

⁵The Office of National Statistics Social Trends Report, 2003.

⁶ 94% of opinion leaders agreed with this statement in a survey conducted October 2002.

⁷ Opinion Leader Research conducted a quantitative survey with 100 senior and mid-level figures from the communications sector in March 2004.



Essays on trust – 4

Trust in Charities: Exploding the Myth

Richard Reeves, Author and Consultant, Intelligence Agency

Trust in charities is high. The positive implications of this fact should not be ignored: one response to investigating the matter might be 'Why are you complaining? Why bother worrying?'

This may seem flippant, but it is worth recognising the favourable position charities enjoy, especially given the desperation occasionally shown by government and private sector companies to claw their way back into being trusted by the public. On the one hand, businesses

are probably trusted less than they should be; on the other, charities enjoy a greater level of trust than they should in some cases.

The following table shows the results of a MORI survey where 2,000 British adults aged 15+ were asked 'Would you tell me if you generally trust this person to tell the truth, or not?' The table demonstrates public scepticism for those in power.

Trust in professions

Profession	Tell the truth	Not tell the truth	Don't know
Doctors	90%	6%	4%
Teachers	88%	8%	4%
Television News Readers	63%	25%	12%
Professors	77%	10%	13%
Judges	76%	16%	8%
Clergymen/Priests	73%	18%	9%
Scientists	70%	18%	12%
Police	58%	32%	10%
Ordinary man/woman in the street	55%	31%	14%
Pollsters	50%	31%	19%
Civil Servants	44%	43%	13%
Trade Union Officials	37%	46%	17%
Business Leaders	24%	63%	13%
Journalists	16%	77%	7%
Politicians Generally	20%	73%	7%
Government Ministers	20%	71%	9%

Source Mori 2005



Where does this high level of trust in charities come from? It is possible to separate forms of trust into two types: competence trust and integrity trust. Public trust in charities stems more from perceptions of their integrity than their competence. The motives of third sector workers are questioned less than the mechanics of how they achieve their goals.

Integrity may be defined as doing the morally right thing even when it is not in one's own interests.

In a famous example from philosophy, Immanuel Kant discussed a hypothetical 'honest shopkeeper', who is scrupulously honest because he knows dishonesty would hurt his businesses. The question Kant poses is what the shopkeeper does if conditions change such that now dishonesty will be to his advantage. Does he remain honest, even though this is now against his interests? Or does he switch from a policy of honesty to dishonesty? In other words, does he have integrity or not?

Kant's example bears directly on our distinction between real and regulated trust. Put simply, real trust is based on a view that the person or institution in question has integrity; that they will do the right thing, and keep their promises, even when it is not in their own immediate interests to do so. Regulated trust is based on a view that they will do the right thing because it is in their interests to do so.

How can trust be safeguarded?

The acevo survey pointed to a desire for more and better regulation from the Charity Commission. This was a surprising result: it is likely a different answer would be received if charities were asked whether they themselves should be regulated more as opposed to their peers.

Yet if regulation has to come from outside an organisation to secure trust, this reveals a worrying picture. Surely third sector leaders should be trusted to regulate their own organisations? The purity of motive and public trust in the charity's integrity should be enough.

Regulation can be grouped into four broad areas:

- Self
- Peer
- Market
- Government

Self and peer regulation create the most true trust to external observers. External regulation should be seen as the last hurdle rather than first. The private sector offers several examples of companies technically doing the right

thing and fulfilling external regulators' requirements (e.g. Enron, WorldCom) whilst being economical with their legal requirements.

Also, why trust the regulator? If commissions are politically appointed, then neutrality is not guaranteed. What are the motives of the Charity Commission if they are relied on to safeguard trust? Does their own proximity to government call into question their motives? Who appoints the regulators, and what is their agenda or guiding motive? How far does trustworthiness permeate the upper echelons of the sector?

Handling the media is also essential for safeguarding trust. In terms of a toolkit, or strategy for averting loss of trust through a negative story, sound PR advice would be to release everything at once, to all the media at the same time. More problems arrive by withholding information but leaving questions unanswered – the tenacious journalists will not stop in their efforts to land the big story.

The role and responsibility of charity leaders: to professionalise or vocationalise?

Charities' drive to reform themselves can also take on a wider significance: they can redefine what it means to be a professional.

The word professional originally implied a sense of publicly stating (professing) one's values and intentions in job. This public display would be more common when the majority of jobs were tied to the church, and required a public declaration of faith.

Third sector leaders and workers are driven principally by a vocational sense of using your energy, time and ability for a cause and that you will make a living from same. They are professional yet have a sense of vocation as well. Redefining, or restoring faith in the term 'professional' could thus be a wider aim for charities. Professional should be associated with being vocational more than being commercial.

The acevo report makes an a priori assumption that regulation, transparency, and greater accountability are vital steps in professionalizing the sector. Care should be taken however, that bureaucracy is not used to mask failings or struggles.



What will happen if we ‘explode the myth’ of charities’ practice?

What might be result of this improved understanding of trust? Is the long term aim properly grounded trust based on an accurate picture of charities and a fuller understanding of their cost bases and activities?

If so, it must be recognised that in there will be an interim period, a trust penalty in the short term for longer term gains.

Exploding the mythology of charities’ work poses a moral dilemma for sector as whole. If trust is so brittle, should it be preserved at all costs? Problems for integrity may result.

Public confidence in the integrity of charity leaders is key to preserving trust. They must be professional and passionate about what they do- and they should be more ruthless and less tolerant of failure. Apathy for a charity tackling Third World Poverty has far greater consequences than apathy at the upper levels of an investment bank.

Richard Reeves is a strategy consultant, business analyst and writer. His career spans academia, central government, business, the non-profit sector and the media. Richard is the co-founder of Intelligence Agency (an ideas consultancy), and he is also a thought leader for Penna and a founder of the iSociety project, the UK’s largest research project looking at the impact of technology.

Richard is a columnist for Management Today an essayist for the New Statesman and writes regularly for The Guardian and other publications. He speaks frequently on a broad range of topics including the future of work, technology, the war for talent, motivation, diversity, working time and leadership and teaches on the Senior Executive Programme at London Business School.

He is a research associate of the Work Foundation, where he was previously director of research and head of consultancy and a prominent member of the RSA. He has recently published a report on wellbeing for the New Economics Foundation, is editing a book on the politics of progress for the Social Market Foundation and completing a doctorate on the ‘political economy of happiness’ at the University of Warwick

In the first year of the Labour Government, Richard worked a principal policy adviser to the Minister for Welfare Reform and has also been a research fellow at the Institute for Public Policy Research, one of the UK’s premier think-tanks, as well as a researcher at the University of London. He holds a first-class degree from Oxford.



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We are particularly grateful to the 230 chief executives and chairs who contributed to the report via our survey and focus group.

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Chapter 3

A Leader's Perspective: the Responsibility of the Charity Professional

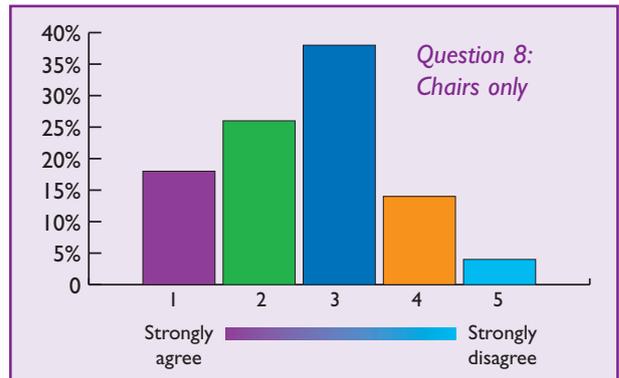
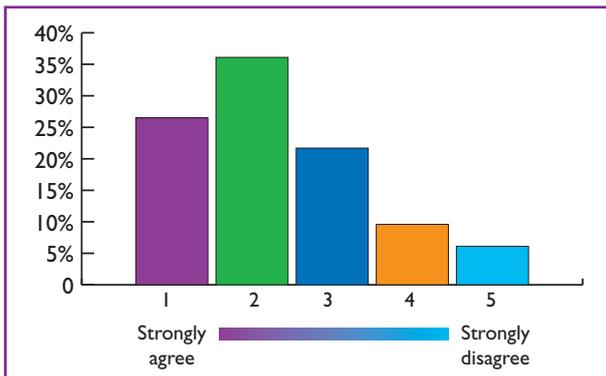
Charity leadership and trust

Although charities are now better managed than they were ten years ago the concept of professionalism remains uncomfortable for the sector. Too often "leadership" and "management" are considered dirty words. Failures of leadership, such as attempted management by consensus, can lead to paralysis in some organisations. These attitudes coincide with an outdated public understanding of the sector, as respondents to the survey remarked:

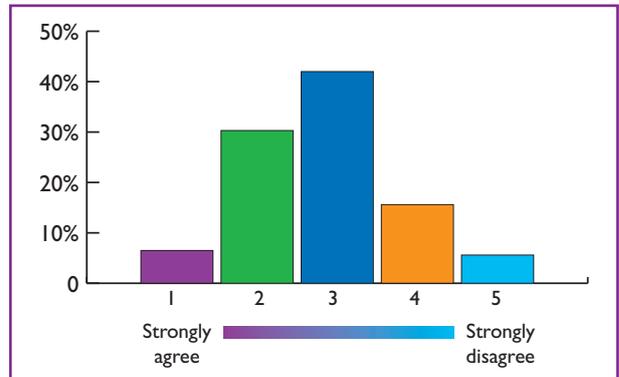
"In my view, the title 'charity' remains the root of the problem as it promotes the Victorian role of charity – the privileged dispensing charity to the deserving poor – we need to lose the name to change the image. The public struggle with the notion of charities operating as businesses."

"The public have a high regard for the work of the charity sector but perceive the sector as a band of people who dispense good to others less fortunate themselves. They major on the word 'charity'. They are wary of claims about the impact individual charities say they have."

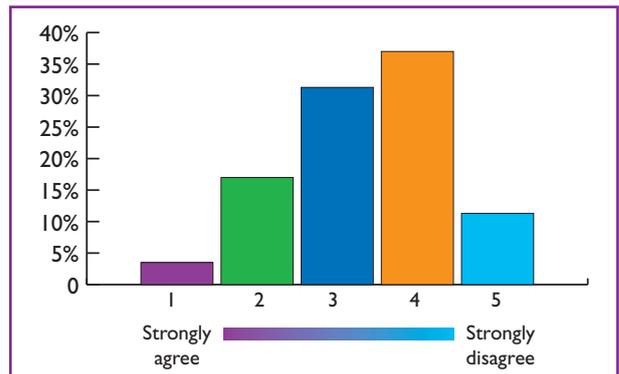
Question 8: "To be trustworthy, a chief executive should have a passionate commitment to the cause of their charity."

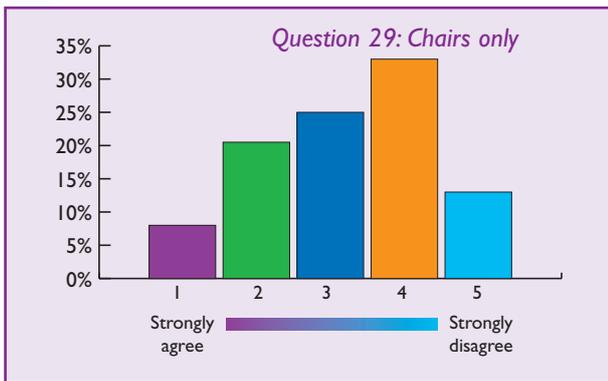


Question 7: "As individuals, charity leaders are more trustworthy than business leaders."



Question 29: "The public believes that to get effective staff, we should pay them at market rate."





Over 60% of respondents believed that charity chief executives should have a passionate commitment to the cause of their charity, if they are to be trustworthy. Chairs are less convinced on this point – the largest proportion of the sample (37.5%) neither agree nor disagree.

Only a minority of respondents (37%) believed that charity leaders were more trustworthy than their counterparts in business, who are perhaps less likely to be passionate about a “cause”. Moreover, neither Chairs nor chief executives believed that the public accepted charity leaders should be paid at a market rate.

In combination, these results suggest that charity leaders do not feel they are living up to the very high, and perhaps contradictory, standards set for them by the public. As one respondent commented:

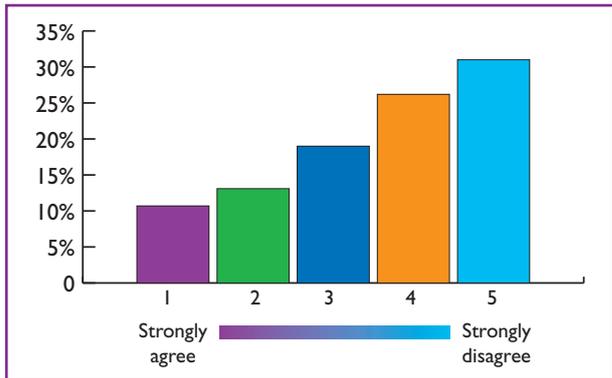
“In the main, the public does not consider individuals in charities should be paid large salaries – many still think we are all volunteers. A fair price for the job is vital and although you can compare it with the public and private sector, you cannot expect the same level of pay – it's more about the cause and the will to make a difference without being restrained by government.”

The acevo/Hay Group⁸ study of leadership in 2003 identified “passion” and “emotional attachment” to the organisation as key behavioural characteristics of leaders in the sector. However, sound strategic and financial skills were also identified as important. Third sector leaders must combine professionalism and business-like approach with genuine belief in the work they undertake.

⁸ acevo/HayGroup 2003, “Passionate Leadership, The characteristics of outstanding leaders in the voluntary sector - what sector leaders think”

⁹ acevo 2003, Rethinking Governance, pp 11-15

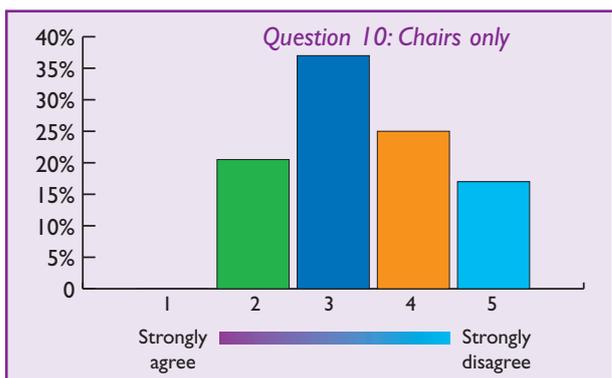
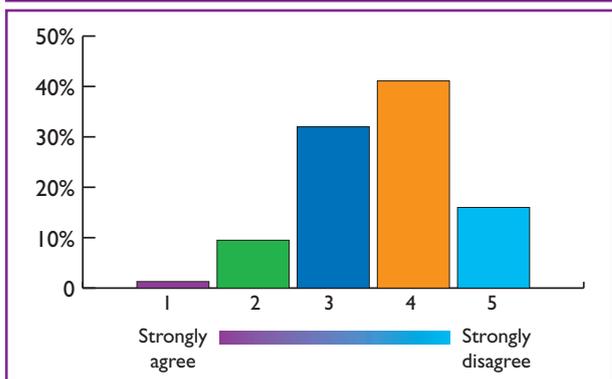
Question 45: “Our governance process is democratic: most board members are elected by our stakeholders”



Charities must be well governed by their leadership, including their boards, and senior executives. An appropriate level of accountability must be agreed upon, set, and maintained. RNID’s trustees, for example, are nominated and elected by the membership. An element of direct democracy in governance encourages trust, but this is present only in a minority of organisations.

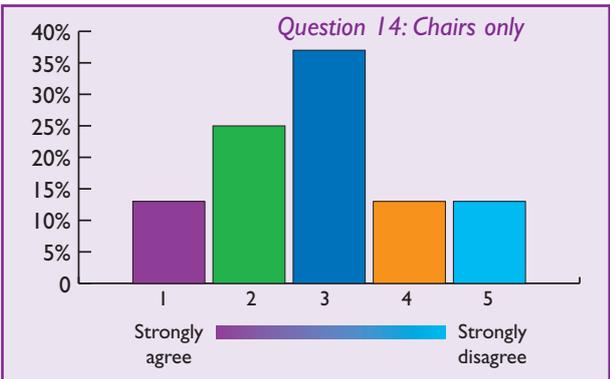
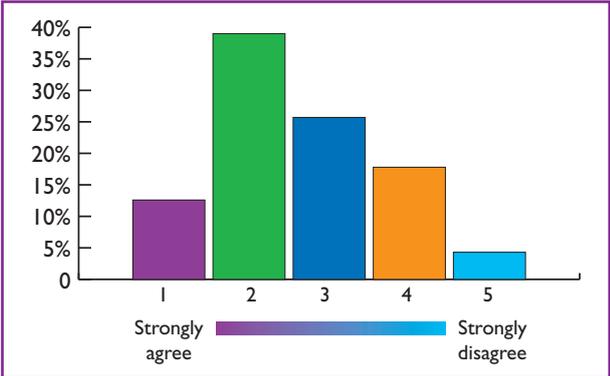
Many organisations are streamlining their boards, reducing their capacity to be representative of service users or donors in favour of an increased emphasis on effective decision-making. As acevo’s 2003 report on governance highlighted, there are difficulties and limitations in locating effective stakeholder representation in trustee boards.⁹

Question 10: “Public trust is more the responsibility of trustees than of the CEO.”

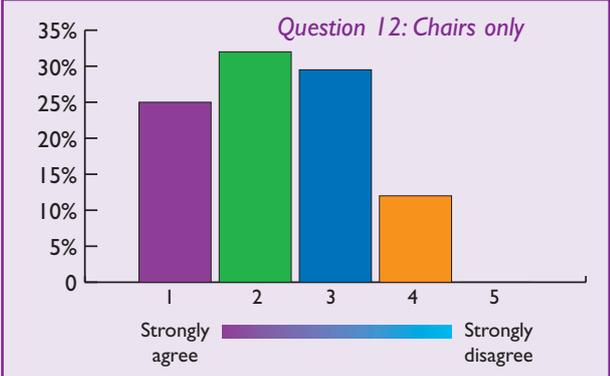
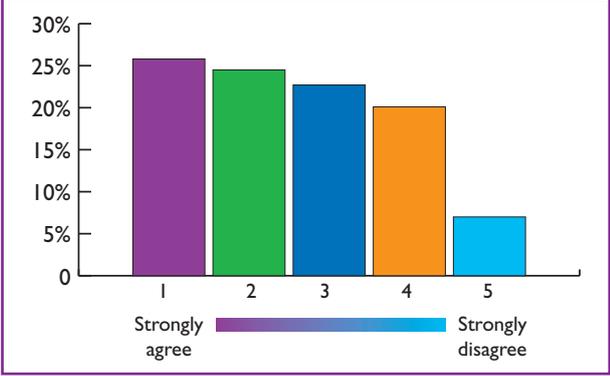




Question 14: "I feel we could do more to ensure the organisation is fully accountable and beyond reproach."



Question 12: "My organisation recruits its trustees through a fully open and transparent process."



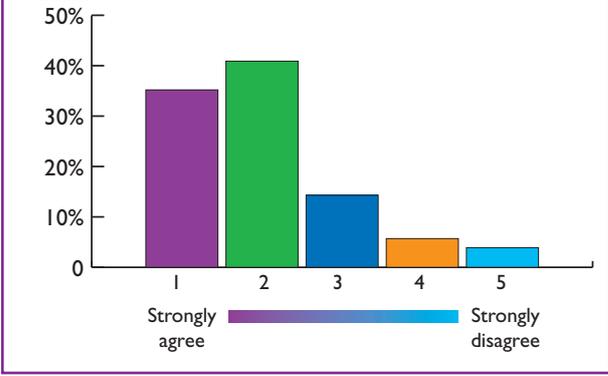
More than half of respondents felt they could do more to ensure accountability, and only half believed their trustees were recruited through a fully open and transparent process. Chairs, who have a particular responsibility for trustee recruitment, were more confident about the processes they used.

Further, only a small minority felt that the chief executive could rely on their trustees as the primary guardians of public trust. Chairs were more ambivalent on this point: almost 20% thought primary responsibility rested with trustees, and more than one third were not sure where it rested.

More than 50% of CEOs (but only 37% of chairs) thought that their charity could improve its own levels of accountability. One respondent commented:

"Many charities like ours are on a steep learning curve in terms of operating as a transparent, accountable body that deserves the trust of the public. There has been a sort of 'benign neglect' in many charities with reference to governance and accountability. If we don't change we will not survive."

Question 41: "All charities should sign up to a formal code of good governance."

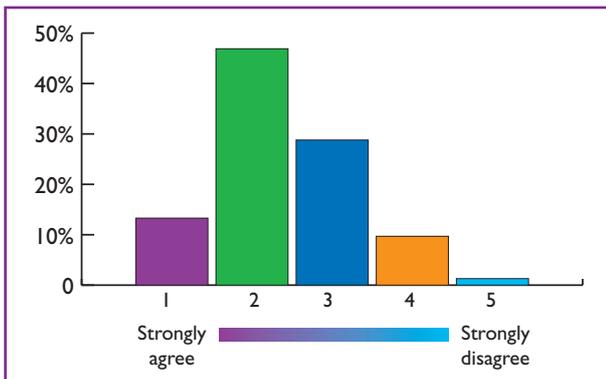


Charity leaders responded positively to the call to sign up to the sector's formal code of governance, launched in July 2005. 76% agreed that all charities should sign up. This bodes well for the code, which may have a considerable impact on standards of governance, accountability, and, as a result, on trust.

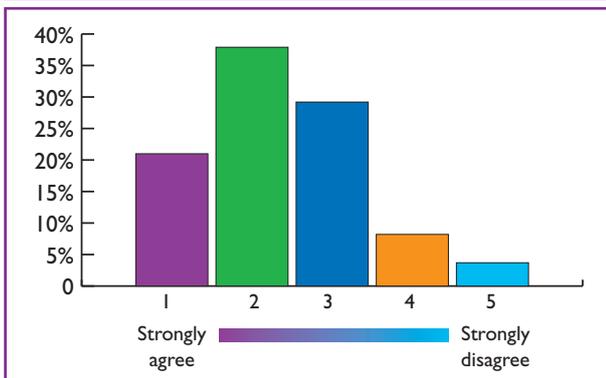
Tackling public perceptions

Some outdated perceptions of charities still remain which must be tackled, and this is the responsibility of charity leaders and professionals. Leaders must not massage or attempt to disguise the facts: annual reports, for example, should report and explain failures.

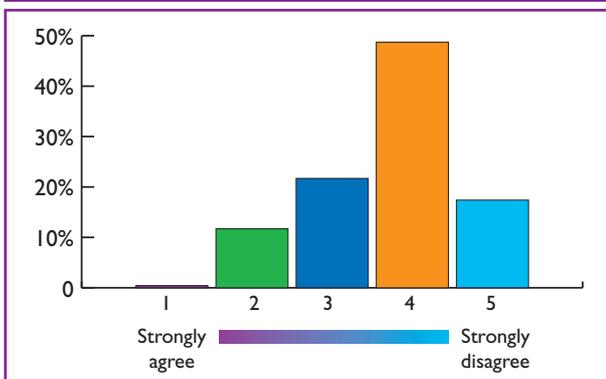
Question 21: "Our promotional literature is honest about our impact, mentioning setbacks as well as successes."



Question 20: "Our fundraising literature gives full and accurate information about the true cost of our work."



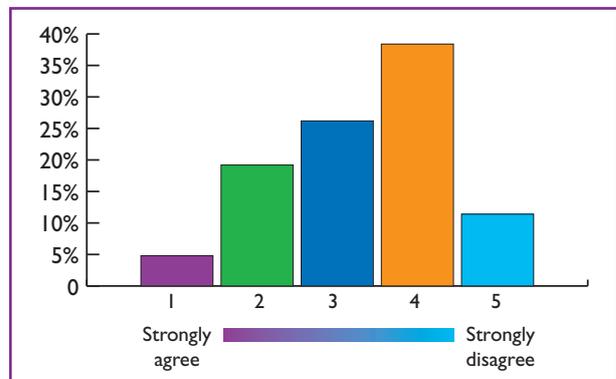
Question 30: "The public understands the realities of fundraising costs: you have to spend money to raise money."



Over 60% of respondents to our survey believed that their promotional literature mentions setbacks, and a similar proportion say that fundraising literature provides complete information about the trust cost of their work. Yet, despite this reported transparency, only 12% of respondents thought the public understands the realities of fundraising costs.

Either chief executives believe that their messages are not getting through, or that they are undermined by the communications of less scrupulous organisations. This may not be helped by charities that disguise their spending on overhead costs and administration. Charities will need to communicate clearly with the public, in plain English, about the financial realities of their operations.

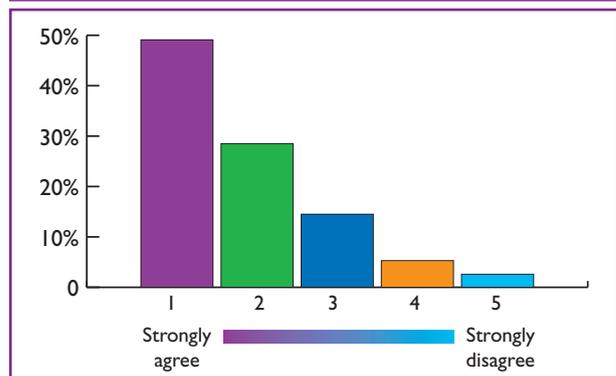
Question 15: "Our governance probably seems rather opaque to those stakeholders who want to engage with it."



Closeness to service users is key: leaders must be seen to be in touch with their stakeholders and those they serve. They should not be afraid to reform where this is necessary. Fewer than half of respondents rejected the idea that their governance seems opaque to their stakeholders.

Communications with donors: a leader's responsibility

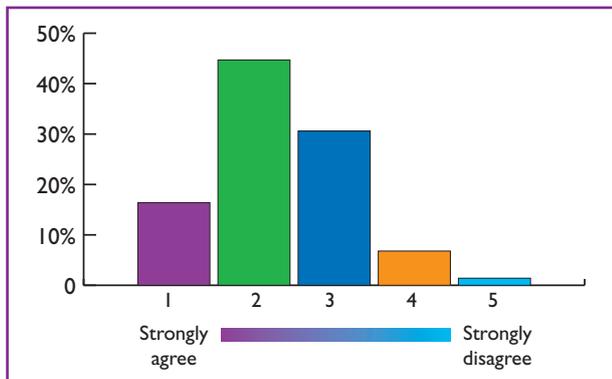
Question 2: "The more people trust my organisation, the more money they are likely to give."



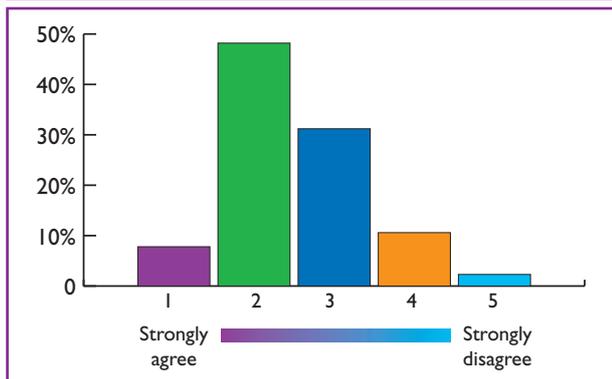


Most respondents to our survey believed there was a clear link between public trust and donations received. Charity leaders are in a position to determine the extent of dialogue and communications with donors, and therefore the level of trust involved in the relationship.

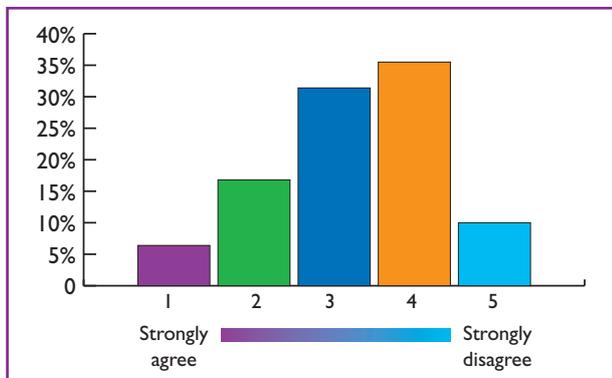
Question 16: "Our donors are loyal: we have very high retention rates."



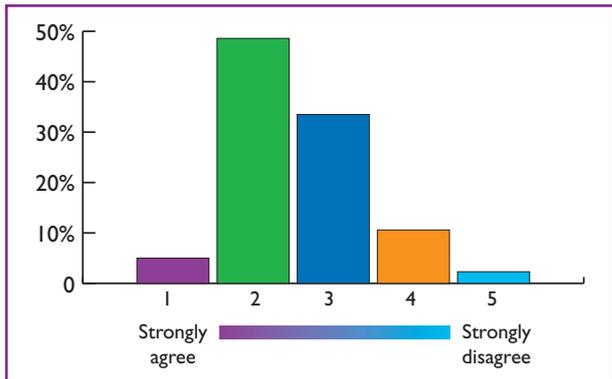
Question 17: "Our donors welcome our communications and invest time in their relationship with us."



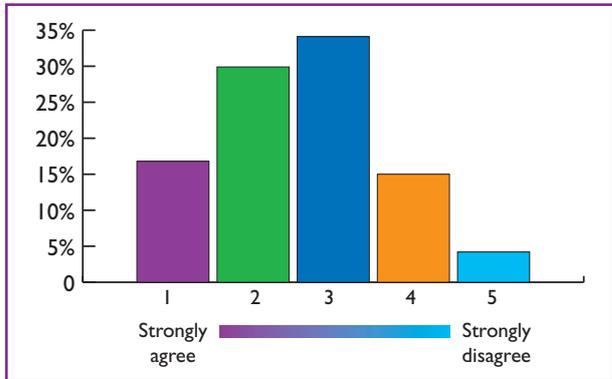
Question 18: "Our donors want a say in exactly how we spend their money, rather than trusting us to spend it as we see fit."



Question 19: "We are able to influence the views of our donors."



Question 27: "Our donors act as advocates on behalf of the charity, encouraging others to give."

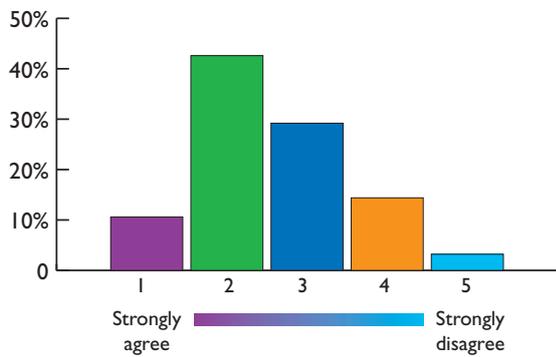


These questions address five donor behaviours associated with trust¹⁰. Donors will remain loyal to charities they trust. They will welcome, and be influenced by, their communications. They will not want a say in exactly how money is spent, trusting charities to use it appropriately, and will act as advocates on the charities' behalf. In response to each question a significant proportion (roughly 40-55%) were not sure, or disagreed, that their donors exhibited these behaviours. Some behaviours, for example donor advocacy on behalf of charities, will be more relevant for charities operating within defined communities, for example local hospices or academic institutions.

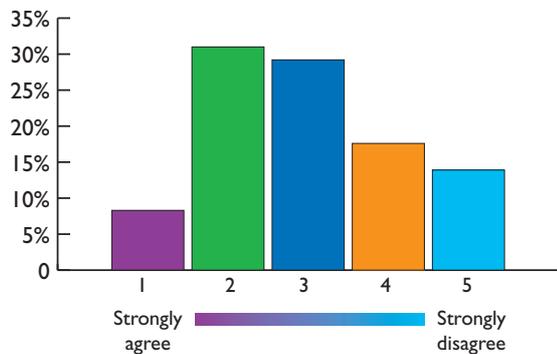
The steering group identified openness and transparency as factors contributing to high levels of trust. Yet questions remain: how much information should be disclosed to donors, and how much dialogue should an organisation engage in? Too much dialogue and consultation may put donors off; too little correspondence and the organisation may end up being perceived as remote or indifferent to donors' views.

¹⁰ Lee and Sargeant (2004)

Question 23: "Feedback from donors influences and shapes our views and strategies."



Question 26: "We encourage our donors to become volunteers or trustees."



Moreover, it is not clear that trust between charities and donors runs both ways. Only 53% agree that feedback from donors influences their views and strategies. In an age of declining deference, charities may be taking severe risks by failing to engage donors, as adults, in shaping their work. Only a minority of charities display trust in their donors by encouraging them to become volunteers, taking a more active role in the charity's work.

In charities' dealings with numerous stakeholders – the public, donors, service users, regulators and funders – trust should be strong and reciprocal. The survey results suggest that this is not yet the case.



Essays on trust – 5

Trust in Charities: A Practitioner's Perspective

Jackie Ballard, CEO, RSPCA

General Aspects of Trust

Public perception and trust in charities is derived predominantly through media communications. Success in managing trust can be judged to a certain extent by successfully handling the media.

The RSPCA cannot afford to be concerned only with its direct customers, its donors or beneficiaries. It also enjoys high levels of trust through its positive media portrayal. Trust involves a balancing act for all involved parties, including Government and stakeholders.

The RSPCA faces no competition, and is not directly accountable to anyone except its members and the Charity Commission. Yet like all charities, it needs to demonstrate and preserve integrity. This can be achieved by aiming for the maximum benefit for its charitable beneficiaries, and by being transparent about its achievements.

On a macro level charities gain trust by achieving objectives. The onus on larger charities is to find ways of demonstrating their achievements. However, crude statistics are not always the best indicator, especially for the RSPCA. Impact reporting and an annual report may not be enough to convince the public.

Considerations of trust must be placed in the context of a charity's core commitment to its mission and values. The RSPCA's mission is to prevent cruelty and promote kindness to animals. How can these best be measured? The RSPCA is developing an index of animal welfare, to track changes from year to year. This may serve as a better guide for the public than simply counting the number of prosecutions or animals rehomed.

Public service delivery: a change of identity?

A greater role in public service delivery brings both rewards and dangers for third sector organisations. One danger is confusion over identity, and this has implications for trust.

Ensuring the delivery of public services is the key job of those who are democratically elected. If responsibility is shifted to the voluntary sector, the public may have a sense of passing the buck, pushing the problem elsewhere so someone else can take the blame.

There is also the problem of accountability. For example, the increased role of Housing Associations has led to public uncertainty as to whom they should complain or question. The provision of social housing was a local government priority, yet now it may be unclear whose responsibility it is. Charities take on surrogate accountability but the public have no obvious channels for complaints or redress if they don't like a policy decision.

Indeed, this debate leads us to why many charities started in first place: identifying a gap in provision and seeking to make a difference. Charities' motivation is genuine: they are viewed by the public as noble and selfless.

The RSPCA has no legal duty to deal with animal welfare, yet the public frequently perceive this to be the case. The RSPCA has finite resources and cannot treat every animal in every situation. When the public think charities have to do tasks, the situation for trust becomes dangerous. The public must not forget the voluntary basis of charities' work.

Not all charities are viewed in the same way. Some are already perceived as public services. The RSPCA is one; other high profile confusions are the Immigration Advisory Service, and the Citizen's Advice Bureaux.

In short, the third sector has the capability to make a difference in public services, but if it takes on more of the responsibility there is a danger of losing public trust, and means of accountability will need to be considered.

Governance Issues

Robust and independent governance is needed to maintain trust. Legally, trust is the responsibility of a charity's board (the trustees). However, realistically, guarding trust on an everyday basis is delegated to staff. Situations differ according to the size of organisation:



trustees can be more involved in smaller organisations. Larger charities usually leave public representation to the CEO.

In terms of a diagnostic tool for reading warning signs, it is hard to construct a 'one size fits all' template. However, it is possible to construct attitude measurements towards areas within the sector and these should point to weak or fallible areas.

In general, it should be noted in the sector that it is not always size, but the reputation of the organisation that counts. Charities face a new threat with improving technology: start-up charities can provide an impressive 'shop window' for services. Customers are becoming more sophisticated, but must also be aware of 'window-dressing' and false claims.

As identified earlier, media awareness is crucial in preserving trust. If a negative story is unavoidable, admit to failings but give the bigger picture. Remind the media where your charity continues to succeed. Furthermore, do not underestimate the power of the local and regional press: the public trust them more than national press. If the story is a local issue, do not ignore the local press. By and large, they have 'no axe to grind'. The national papers have more of an agenda, or house style and brand. It is possible to prejudge to a fair degree the political line or slant *The Guardian* or *The Telegraph* may take.

Conclusion

A key issue is whether chief executives can move between third sector organisations, while retaining their image of being passionate about their cause. CEOs in the sector can become associated with a particular cause, which makes it difficult to move even within the sector. Ethical leadership should be transferable between sectors. However, if a CEO or Director appears in the media promoting two very different charities within a short space of time, his or her credibility could be placed in jeopardy.

Trust is a hugely important issue for society. A growth in cynicism can lead to a breakdown in many values and relationships. More cynicism leads to a growth of selfishness which is bad for social cohesion. Charities operate at the heart of a functioning society. If trust breaks down, it is to all our detriments.

Jackie Ballard is Director General of the RSPCA. Between 1987 and 1997 she held various posts in local government. In 1997 she was elected to Parliament and was MP for Taunton Constituency from 1997-2001. In that capacity she was her party spokesman on Local Government, Home Affairs (with responsibility for the voluntary sector) and women.

After losing the Taunton seat in June 2001 she wrote a number of articles for the Independent and Guardian newspapers and presented a number of TV programmes. In October 2001 Jackie went to live and study in Tehran, Iran. She returned to the UK in May 2002 and in November took up the post of Director General of the RSPCA. She has recently stood down as a member of the Youth Justice Board due to time pressures but is a trustee of two charities – One World Trust and Science and Arts Foundation.



Essays on trust – 6

Trust in Charities: Be trusted ... or be damned!

David Fielding, Head of Not-for-Profit Practice, Rockpools and **acevo** Special Advisor.

My research for the previous **acevo/nfpSynergy** research “The end of the affair? The British Public and their trust in charities” started from the premise that public trust in institutions has continued to decline over the past decade but that throughout this decline, the public has continued to trust charities. It argued that this trust exists for a range of complex reasons and that charities continue to play a vital role within civil society. This is all the more so given that traditional boundary lines between the state and the public have become blurred and a range of charities are now delivering public services and increasingly expanding their service delivery role.

The public does not fully understand what services charities now deliver; or how they are governed, funded and managed. Many argue that the public has unrealistic expectations of charities and their Leaders. As charities continue to deliver more public services, the level of scrutiny to which everything they do and say they do must inevitably increase. With increased scrutiny from regulatory bodies, commissioners of services, donors, clients and the public... comes an increased risk of adverse publicity, particularly when things go wrong. We have seen what impact scandals have on the ‘charity brand’ and its negative effects on trust, confidence, fundraising, and staff and trustee recruitment and retention, not to mention how it discourages volunteers and trustees who give their time freely.

Many commentators continue to argue that trust is brittle, i.e. it is too easily lost and great attention needs to be taken to secure the trust that does exist. Charities are undoubtedly operating now within a less forgiving environment, where levels of scrutiny and transparency are inexorably on the increase. So now is the time for charities to ensure that all of their policies, procedures and actions are squeaky clean! Or so you would have thought!

In light of the current focus on trust and transparency, there can be no excuse for the alarming statistics coming out of this year’s Charity Commission’s research on recruitment and selection. It states that ‘use of word of mouth and personal recommendation as a method of attracting new trustees has significantly increased (81% compared to 68% in 2001). So in other words 4 out of 5 charities are still tapping their mates on the shoulder and asking them to ‘join their clubs’.

Recruitment solely by word of mouth or personal recommendation can result in a board that is not diverse and can give a perception of exclusivity which alienates the charity’s users and wider stakeholders. The research showed that 66% of large and 72% of very large charities find it difficult to attract new trustees with ‘the right skills’. Of course, this is hardly surprising when so many charities are choosing to compound the same old mistakes when recruiting.

The research went on to say that charities may find that wider and more inclusive methods of recruitment will make it easier to attract the right people and that being able to demonstrate openness and transparency can also, in the longer term, help to increase the public’s confidence in the sector. A reasonable and accurate position to take – but, sadly it seems the message is just not getting through.

So it is unsurprising that 30% of charities surveyed said they find it difficult to attract young people to serve as trustees. Are charities taking this issue seriously? I suggest not.

And when we look at the overall analysis held by the Charity Commission of all trustees including chairs, it shows that only 0.5% are under the age of 24. Conversely, 76% are aged 45 and over. Your mates tend to be of a similar age, similar social economic status and similar race. So this kind of poor recruitment practice works directly against diversity.

This amateurish approach not only perpetuates boards which are not diverse, it also sets the tone for the way in which governance arrangements are conducted. It is unlikely that a chair or a trustee who has come through a word of mouth process has spent much time examining and understanding the scope and responsibilities of his or her role, never mind having a proper induction.

Enlightened charities (the ones who will continue to thrive) take time to look at where their organisation has come from, where it is at, where it is headed and what the barriers are to getting there. They look at the skills, knowledge, experience and networks that are needed at a strategic board level, and then set out to specify both generic roles, shared common values and responsibilities of trustees, but also the differing but complimentary



specific skills, knowledge and networks that ideally each individual should bring – such that the whole board ends up being far greater in its impact than the sum of its parts. Enlightened charities understand fully that 'diverse' boards (and I use diversity in its widest context – age, gender, race, ability, orientation, faith, nationality and sector) tend to make more informed decisions. Enlightened charities also don't look for lots of 'mates' who'll meet up and have a pleasant conversation and convivial meal after – they look for a range of personalities who through their constructive but challenging interactions will seriously 'add value' at a strategic level and in matters of governance.

They advertise widely and use internet job sites to reach the widest possible audiences. They may even headhunt as well. They have a rigorous and robust selection process where prospective candidates are examined, courteously but professional, and key stakeholders, including beneficiaries, have an input. Successful candidates have a planned induction period where their needs are addressed through a number of different techniques and interventions. And even at board level, appraisal systems are implemented and modelled to the rest of the organisation – processes that add value within a culture of openness and transparency and ensure that feedback is used positively and focus on personal development. This is not rocket science - just common sense, or maybe 'radical common sense'!

Be under no illusion - diverse boards and indeed management teams make for better decision making. I will place more trust and confidence in a charity that takes a professional approach to the recruitment, selection, induction and development of trustees than those that don't. And it simply can't be right that we tolerate listening to leaders of charities who talk endlessly about their personal and organisational commitment to diversity when their words are just that: hollow words backed up with no action.

To earn trust, one has to encourage, develop, reward and above all 'model' the behaviours that you seek. You also have to be consistent, honest, and act with integrity. Finally, you have to act, be seen to act and explain that you are acting in the interest of the organisation and not your own. Even in tough times – staff, volunteers and donors will follow you so long as they trust and believe in you. They don't have to like you (though it undoubtedly helps) – but they do have to respect, and above all 'trust' you.

David Fielding MBE heads the not-for-profit practice at Rockpools which is a new and innovative executive recruitment consultancy (www.Rockpools.co.uk). David has continued to be at the forefront of public policy development in his role as special advisor to acevo and has led many significant change programmes, including playing a leading role in the merger of the two lottery bodies to create the Big Lottery Fund. For the past five years he has advised on a wide range of high profile public appointments in his role as an OCPA central list Independent Assessor and he also sits on the NHS Appointments Commission.

Other past positions include Director of Human Resources for Phoenix House, one of the UK's largest providers of residential drug and alcohol rehabilitation services, Strategic Advisor in charge of employment policy for Lewisham Council and HR Manager at London Borough of Hackney. David is a graduate of the Cabinet Office's Top Management Programme, a Fellow of the Chartered Institute of Personnel and Development and has an MSc in Human Resource Development and an MA in Political Communications, Advocacy and Campaigning.

David is also a 5th degree black belt, four-time World Champion and ex-Guinness World Record holder. In 2003, he became the Individual Aikido World Champion (the first non-Japanese player to do so) and was appointed MBE in the 2004 Queen's Birthday Honours.



Chapter 4

Preserving Trust – Through Regulation

The Charity Commission is the regulator for the charitable sector. As the legal framework for charitable status determines that charities are the sort of organisations that can be trusted, the Commission can be viewed as the chief custodian of trust in the sector. It faces several questions regarding trust:

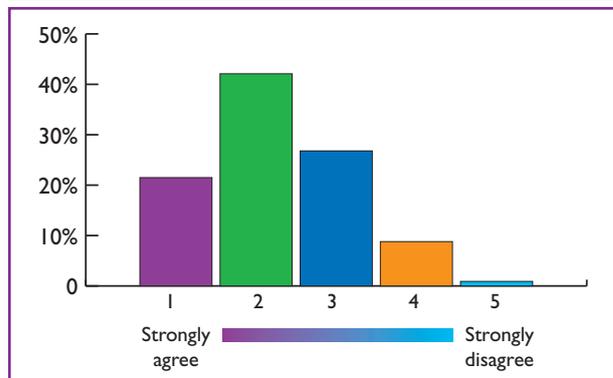
- How should the Charity Commission set priorities and develop its role and ensure the generally high level of trust in the sector is maintained?
- What is an appropriate amount of regulation to ensure trust is maintained but that charities are not overburdened?
- What should be its responsibilities in relation to the growth of public service delivery by charities?

At the heart of the Charity Commission's work is an intention to 'promote the public's trust and confidence.' The Charity Commission can best do this by ensuring a spirit of compliance and not abusing its privileges. The Charity Commission must be seen to act when necessary, but also to regulate in a spirit of *proportionality*.

The Commission must, with limited capacity, preserve trust across the entire sector. The variation in size between charities is a crucial challenge for the Commission. The acevo survey shows that public trust could be severely dented by several high profile scandals involving major charities. Conversely, the vast majority of charities are very small and local, relating to communities in very different ways from the largest. At this level, the sector's diversity and flexibility are huge strengths in engaging people.

Only 10% of respondents felt the Charity Commission does enough to prevent wrongdoing in the sector. The Charity Commission's role as regulator, watchdog and policeman is regarded as essential. However, there was understandable resistance from smaller charities to more aggressive regulation:

Question 39: "The Charity Commission should do more to prevent wrongdoing in the sector."



"Regulation is drowning charities: change the annual audit process if necessary by letting charities have more space rather than more and more aggressive regulations and control."

There are also questions regarding the public's understanding of the legal framework it operates. For example, there is little recognition of the fact that the campaigning arms of organisations such as Greenpeace are not subject to charitable regulations.

Aims for the regulator in protecting trust

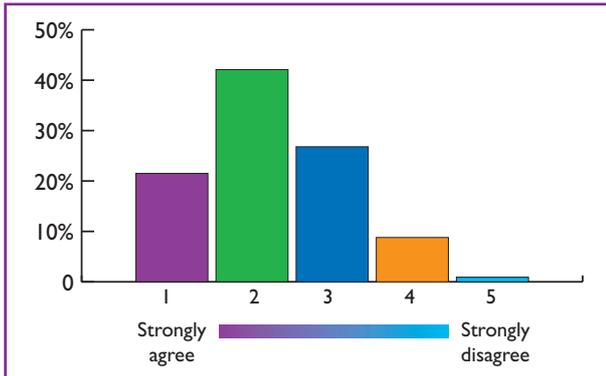
The third sector is inclined to be defensive rather than progressive in developing trust. One goal for the Charity Commission is to alter this attitude. It aims to drive up good practice, as well as clamping down on bad. It seeks to build alliances with umbrella organisations in delivering this agenda.

More than two thirds of respondents to our survey agreed that umbrellas should work alongside the Charity Commission in preserving trust.

Increasing transparency will also help to increase trust, not only for the public, but also within charities. Impact



Question 40: "Charities' umbrella bodies should do more to preserve public trust in the sector as a whole."



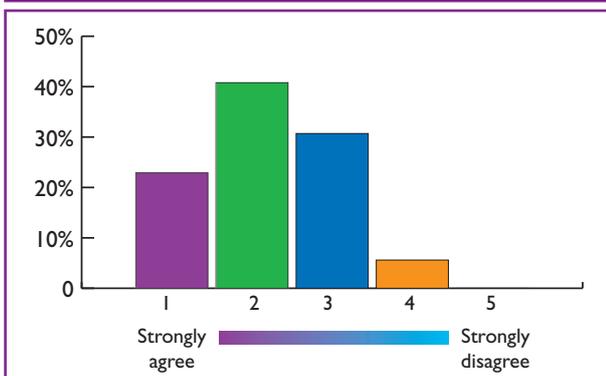
reporting and the "Standard Information Return" were mentioned as valuable tools in chasing this goal. The Charity Commission itself has sought to set an example, through open board meetings and the posting of key decisions on the website.

An enhanced role in service delivery: related questions for trust

A contemporary, pressing issue for charities is increasing engagement in public service delivery. Public trust places charities in a uniquely strong position to engage service users that are beyond the reach of other institutions. Charities can innovate, challenge orthodoxy and have an unrivalled proximity to the user. This last factor relates to the earlier point that trust builds through direct relationships between people.

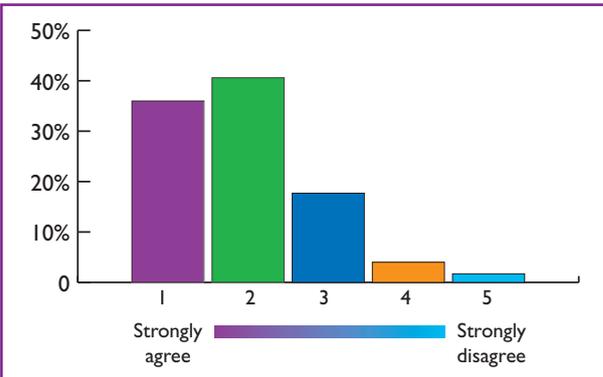
Most respondents to the survey believe trust is integral to

Question 34: "Overall, the public trusts charities to deliver public services more than it trusts the government."



their service provision role. They believe they are more trusted than government to deliver public services, and that this trust is most essential in reaching groups that do not engage with government. As one respondent

Question 33: "Public trust is essential to our ability to reach service users who may have lost trust in the state and other institutions."



commented:

"Most charities provide services that are not available through statutory authorities, and where funding comes from the authorities, users often prefer the idea of accessing services from third parties i.e. charities, which they perceive as acting more in their interest than do public authorities. As a result we believe that public trust is generally greater for voluntary organisations than corresponding statutory or commercial organisations."

Will more widespread knowledge that third sector organisations do not operate in isolation from government influence affect trust? Trust is more easily lost than won; so it may be that the public's lack of trust in government infects the charities most closely associated with it. Third sector organisations must avoid eroding their own reserves of trust by entering into new partnerships. In the private sector, corporate social responsibility provides a parallel: it often involves businesses trading on the reputations of others, usually charities, through the associations gained through collaborative partnerships or cause-related marketing.

The growing proximity between government and charities may also have an impact on questions of trust. The recent 'Wigan and Trafford' case showed that local authorities can establish charities to deliver services that government has a statutory duty to provide. The example of the Greenwich Leisure Trust – a highly successful social enterprise – suggests that creating charities to provide public services will grow in popularity. Some respondents are concerned by this trend:



“I think public trust in charities is potentially undermined by the blurring of boundaries between public and voluntary sectors.”

In such cases, the Charity Commission has looked closely at the independence of the charity’s governance. The boards of third sector organisations must act decisively, independently and visibly to demonstrate that their decisions are made in the interests of the organisation.

At the very least, changes in charities’ roles must be well planned and well publicised. Organisations must be clear about where they are heading and why, as well as how to manage questions from the media and public, and prepare for any possible decline in trust. A common priority is to clarify what is funded by donations as opposed to taxpayers’ money.

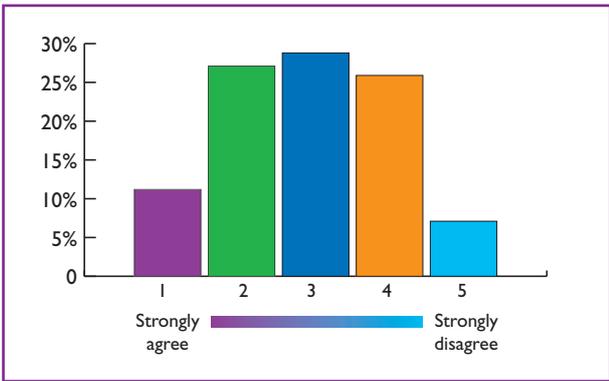
“If we are [public service providers] what’s charitable and why do we need donors’ money? Charities need to be clear with the public about what services are paid for by contract and what services are charitable and paid for by donors otherwise donors will regard donations as paying for public service delivery (rightly in my view).”

Service-providing charities highlight the fact that they must now be trusted by government employees as well as the public:

“While public trust is important, trust of commissioners is just as important to us. If the NHS and Local Authorities do not trust us we cannot continue. So “public trust” is important but not sufficient for us.”

“A major problem for most charities is that National and local Government demand high levels of public trust in order that they can feel better about the sector delivering services, despite the length of time many charities have been delivering services.”

Question 35: “Our donors understand the extent to which we receive funding from the government.”



On this issue, public understanding is perceived to remain relatively low. It is recognised as serious:

The current financial basis for service delivery, heavily reliant on short term, undervalued contracts – can only undermine confidence in charities by inhibiting service quality and reliability. Charities have a role to play themselves in redressing this situation. As several ministers have remarked, third sector organisations must be more demanding in negotiating contracts and be tougher. In their dealings with government, charities must fight to protect their distinctive features which are most closely associated with trustworthiness, such as their independence, and closeness to service users.



Essays on trust – 7

Regulation, Audit and Trust

Peter Wilkinson, Managing Director of the Audit Commission.

acevo's consideration of public trust in the management of charities is timely because of the changing world in which modern charities operate. The major charities are now significant contributors to policy development, seeking to influence government and expand their role in public sector service delivery. Public trust is a particularly important issue for these larger national charities, although this may be somewhat different for smaller local charities with a very local or narrowly defined purpose. Most of our comments concern larger charities.

In 2003, the Audit Commission published 'Trust in the Public Sector', a paper based on research commissioned from MORI. Many of the findings in that report are relevant to the third sector.

The report covers the charities' perceptions of the priorities for maintaining public trust, identifying politics and media, fundraising and communication, governance and leadership and joint initiatives as the key issues. It may be useful to test out these perceptions with members of the public, in order to identify whether the public sees the same issues as important in maintaining trust.

One area where we feel more work is to be done is over public concerns on accountability for the money that charities spend. Responsibilities towards end-users / customers are increasingly important and "trust", as understood by the public, may be a function of how well the charity delivers its services and accounts for its resources, as well as political and media management when things are perceived to go wrong.

All charities should account for what they achieve from spending income from donors. The report does not say much about how charities should demonstrate their impact. The more transparently they do this, and the closer it is related to fund raising, the better placed they will be to build trust over time and fend off criticism.

There are good examples of plain and simple reporting. For example, the RNID's Annual Impact Report shows the aims for last year,

delivery against the aims and the aims for the coming year clearly. Simple impact reporting helps the public to judge the effectiveness of a charity in managing its income and expenditure, and this should help to build trust over time.

We agree that the third sector needs to develop more robust risk management strategies and sound governance arrangements, and that this will help it maintain trust. In particular, third sector organisations that intend to compete for service contracts need to have in place effective governance arrangements.

They must have the necessary capacity and skills to deliver the service, and must demonstrate their ability to offer value to public service commissioners in a marketplace.

The survey found support for more and better regulation from the Charity Commission, but downplays that by emphasising the need for action by the sector itself. Without contradicting the latter, we think there are two issues here in respect of the role of regulation to bear in mind.

Firstly, external regulators are particularly important when things go wrong. Independent, credible reports set the record straight, and can create the opportunity to rebuild trust if it has been lost. Secondly, the third sector has now moved centre stage as a public service provider, whereas the sector was traditionally seen mainly as representatives of users and active citizens.

The consequence of this shift is the need for third sector organisations to be subject to an appropriate, proportionate regulatory regime which protects the taxpayers' interests and which applies to all providers no matter which sector they are in. Again, this needs to be independent of the sector itself if the public is to have trust in it at critical moments.



Peter Wilkinson, Audit Commission

Peter is Managing Director (Strategy & Resources) at the Audit Commission. He is responsible for a wide range of the Commission's strategic and support activities including strategic planning, policy, auditor appointments, technical support, finance, legal and IT.

Peter has been at the Audit Commission since 1990, and a Director since 1995. He has worked in the local government, health and policy sectors and has particular interests in knowledge management, and in performance management and measurement in the public sector.





Appendices

Appendix I: acevo steering group

Chair

Sir David Omand, Former Permanent Secretary, Home Office, and Intelligence and Security Coordinator, Cabinet Office.

Members

Mike Aaronson	CEO, Save the Children
Jackie Ballard	Director General, RSPCA
Tom Bentley	Director, Demos
Hugh Biddell	Corporate Director, Royal Bank of Scotland
Maurice Biriotti	CEO, SHM Consultancy
Richard Brooks	Research Director, Fabian Society
Jeremy P Carver	Board member, Transparency International
Vicki Cooke	CEO, Opinion Leader Research
Mike Dixon	Researcher, IPPR
David Fielding MBE	Head of Not-for-Profit Practice, Rockpools, and Special Advisor, acevo.
Paddy Fitzgerald,	Chair, RSA's Corporate Governance Initiative
Richard Fries	Visiting Fellow, London School of Economics
Andrew Hind	CEO, Charity Commission
Will Hutton	CEO, Work Foundation
John Low	CEO, RNID and Chair, acevo
Robert Napier	CEO, WWF
Alex Oliver	Co-Director, Forum for Philosophy in Business
Jean-Michel Piedagnel	Executive Director, Medecins sans Frontieres
Richard Reeves	Author and consultant,
Chris Rennard	CEO, Liberal Democrat Party
Fiona Reynolds	Director General, National Trust
James Strachan	Chairman, RNID, and Chairman, Audit Commission

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Nick Aldridge	Director of Strategy and Communications, acevo
Stephen Bubb	CEO, acevo
David Hunter	Policy and Development Officer, acevo



Appendix 2: Biographies of Chair and Speakers

Chair: Sir David Omand GCB

Sir David joined the Civil Service in 1969 and worked in the Ministry of Defence (MOD), where he served in policy and Private Office posts, including the post of Principal Private Secretary to the Secretary of State during the Falklands War. His MOD experience spanned two Defence Reviews, two changes of Government and six Secretaries of State.

In 1985, Sir David took up the post of Defence Counsellor to the UK Delegation to NATO in Brussels. He returned to the MOD in 1988 and introduced a new management strategy for Defence and on appointment to Assistant Under Secretary (Programmes) ran the MOD's long-term planning and resource allocation system. In 1992 as Deputy Under-Secretary of State for Policy he was especially concerned with the British military contribution to the crisis in former Yugoslavia.

On promotion to Permanent Secretary he took up post as Director of GCHQ in 1996. He was then Permanent Secretary at the Home Office from 1997-2000. Sir David took up the post of Chairman of the Centre for Management & Policy Studies in 2001 and became Security and Intelligence Co-ordinator and Permanent Secretary at the Cabinet Office. He retired from this post in Spring 2005.

He has a longstanding interest in the development of leadership potential in the public service. Sir David was Chair of the Police Defendants Trust from 1996-1999, and has been a Trustee of the Windsor Leadership Trust since 1999.

Speaker 1: Vicki Cooke

Joint Chief Executive, Opinion Leader Research

Following a successful career in advertising, communications and planning, Vicki co-founded Opinion Leader Research – an innovative research consultancy with an unparalleled reputation for 'reaching the people other agencies cannot reach', whether Chief Executives or socially excluded communities. Vicki has played a leading role in developing new thinking about the drivers of corporate reputation, the use of deliberative methods to help shape policy, and ways of identifying, understanding and engaging with an organisation's social influencers. Such new approaches draw on her extensive experience with a diverse range of clients – these currently include both major corporations (Accenture, Barclaycard, BBC, British Airways, Capita, News International) and government departments (Cabinet Office, COI Communications,

Department of Health, Department for Education and Skills, Department of Trade and Industry).

Vicki is also co-founder and Non-Executive Director of The Smart Company, a consultancy specialising in corporate social responsibility and is a Trustee of the Global Action Plan.

Speaker 2: John Low

John Low was responsible for the organisation's bio-medical and technical research programmes in the UK and internationally, the ground breaking relationship with the Health Department to deliver modernisation of the NHS Audiology services and the telephone relay service RNID Typetalk. He is also responsible for the product development and retail service Sound Advantage.

Previously he had a successful career in product and business development as Technical Director with the Swiss multinational company Buhler AG and Bowthorpe Holdings. During this period he concentrated on harnessing emerging technologies and applying these to practical problems in the real world. Before this he was product development manager with John Brown Underwater Systems, researching communication systems and their applications for deep sea diving.

He holds a PhD in Bio-Medical physics specialising in auditory feedback and speech fluency.

Speaker 3: Andrew Hind

Andrew Hind, formerly chief operating officer of the BBC World Service, joined the Charity Commission as its first chief executive from 4 October 2004.

Andrew has extensive experience working with the charity sector. He was a senior executive with Action Aid (1986-1991) and Barnardo's (1992-1995) before moving to the BBC in 1995. Andrew has also served as a trustee of several major charities, including VSO, the UK Committee for UNICEF, the Diana, Princess of Wales Memorial Fund and a number of smaller charities in his local community in north London.

Andrew was co-founder in 1988 of the Charity Finance Directors' Group (CFDG) – an organisation promoting excellence in financial management for charities. He was Chair of CFDG from 1992-1994. He is the author of *The Governance and Management of Charities*, and a former judge of the national Charity Awards.

Andrew is a member of the Audit Committee of the Commonwealth Secretariat.



Appendix 3: Members of the **acevo** members' Focus Group, held on 6 October 2005

Carolyn Bailey	autism.west midlands
Andrew Brown	Church Commissioners
Carol Campbell	Hospice of St Mary of Furness
Philip Cowen	Charity Check
Fiona Dawe	YouthNet UK
Penny Egan	The RSA
Richard Eggington	Stratford Upon Avon Town Trust
David Harker	Citizens Advice
David Harvey	STEP
Roger Holmes	St. John Ambulance
William Hoyle	Charity Technology Trust
Steve James	Avenues Trust
Ray Johnson	The Camphill Village Trust
Ian King	NUS Services Limited.
Anthony Lawton	Centre Point
Graham Leggatt-Chidgey	Butterwick Hospice Care
Kate Lewis	Headway Cambridgeshire
Doreen McIntyre	INGCAT
Carolyn Miller	Merlin
Susanne Niedrum	International Care and Relief
Elaine Pearson Scott	Positive Partners Positively Children
Maurice Price	Westminster City Council
Jonathan Powell	independent Age
Judith Rich	Diabetes Foundation
Miranda Spitteler	Tree Aid
John Sutherell	Officer's Association
Clare Tickell	NCH
John A Waddelow	Twining Enterprise
Barbara Waters	Skill
Anne Weyman	fpa



Appendix 4: Postscript: The ImpACT coalition

acevo has also joined a new coalition of charities and voluntary organisations to promote better public understanding of how charities work and the benefits they bring to society. Coalition membership includes large fundraising charities, such as WWF-UK, The British Red Cross, NSPCC and RNID, and infrastructure bodies, such as NCVO, Institute of Fundraising, and CFDG has joined the “ImpACT Coalition”.

This coalition of charities will work to the following principles:

- **Increase public understanding of our work and values**

As an organisation, we believe that it is critical that organisations should work collectively to enhance the public’s understanding of our sector;

- **Communicating with clarity and openness**

We believe that charities must strive to be open, clear and transparent in communications with all their stakeholders.

As part of this coalition we will strive to fulfil these pledges:

1. Explaining our work and our approach

As an organisation, we will be transparent about how much we invest in raising money and how this helps us to meet the needs of our beneficiaries. We will generate greater public awareness and understanding of how such investments enable voluntary organisations to achieve their mission more effectively. Ways to do this include:

- Using fundraising material to discuss investment
- Sharing examples of good practice on how to calculate and communicate investment in our organisations.

2. Collaborating in sector-wide initiatives

We will participate in and actively promote a series of initiatives aimed at enhancing donor understanding, providing reassurance and confidence that we operate openly, honestly and effectively. Such as:

- The Self Regulation of Fundraising scheme
- Guidestar
- The Governance Code
- Increasing awareness and understanding of the voluntary sector in the media
- www.charityfacts.org.uk.

3. Reporting on successes, achievements and setbacks

We will work together to set new standards of transparency in reporting by providing reflective accounts of progress, assessing challenges and setbacks as well as achievements, opportunities and impact (positive and negative) through:

- Peer working and benchmarking to help assess impact
- Using Standard Information Return trustee reports and annual accounts to assess our achievements and failures.

4. Long-term commitment

We will continue to work together to develop projects and methods of working that underpin these principles and monitor our success against clearly defined criteria:

- We will use our membership of this coalition to constantly test our organisation
- We will evaluate how our systems and communications ensure that we are maximising our accountability and our transparency.

Source: ImpACT Coalition press release, 11 July 2005



acevo is the professional body for the third sector's chief executives, with 2000 members. Our mission is to connect, develop and represent the sector's leaders, with a view to increasing the sector's impact and efficiency. The UK's broad not-for-profit sector now employs the full-time equivalent of 1.5m staff, with a collective annual turnover of £46bn.

We promote a modern, enterprising third sector, and call on third sector organisations to be:

- **Professional and passionate** in achieving change and delivering results
- **Well-led**, with a commitment to professional development, training and diversity
- **Well-governed and accountable**, with robust and fit-for purpose systems to protect independence and enable effective decision-making
- **Enterprising and innovative**, taking a businesslike approach to funding issues and striving for continuous improvement and sustainable development

For more information, visit our website, www.acevo.org.uk

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