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*An investigation into English and Scottish charity governance in the regulatory era*

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An investigation into  
English and Scottish charity governance in the regulatory era.

Russell Hobbs

A thesis submitted in partial fulfilment of the requirements of  
Sheffield Hallam University for the degree of Doctor of Philosophy

November 2023

## Candidate Declaration

I hereby declare that:

1. I have not been enrolled for another award of the University, or other academic or professional organisation, whilst undertaking my research degree.
2. None of the material contained in the thesis has been used in any other submission for an academic award.
3. I am aware of and understand the University's policy on plagiarism and certify that this thesis is my own work. The use of all published or other sources of material consulted have been properly and fully acknowledged.
4. The work undertaken towards the thesis has been conducted in accordance with the Sheffield Hallam University (SHU) Principles of Integrity in Research and the SHU Research Ethics Policy.
5. The word count of the thesis is 80,749.

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## Acknowledgements

I will always be grateful to my supervisory team of Dr Christine Gilligan, Professor Rory Ridley-Duff and Dr David Wren, who were always so supportive and aware of the challenging personal journey this has been for me. My thanks also go to Professor Tracey Coule. A very special thank you must also go to my very dear friend Dr Angela Stienne for her wonderful support over the last few years, for being there when things went wrong and more especially for when the world turned turtle. I will be forever in your debt. Others who have been influential include Professor Carol Jagger who convinced me in the early days, mainly over numerous cups of coffee, that I was more than capable of conducting this research. I am also grateful to Dr Jenni Hunt for her unwavering support.

Lizzie, my daughter, also a doctoral student, has been my greatest advocate who always believed that this thesis was possible and more especially, that I could complete it. We have both come a long way from Kerala. Also, my late wife Gill would be so pleased and delighted that this has finally come to fruition after so many years of inactivity on my behalf. She knew how important this was for me and would be delighted at its completion.

I would also like to thank all the people who took part and their contribution has made it what it is. None of this would have been possible without my good friend Matthew Humphrey who helped so much during the research stage. My thanks also go to Ramandeep Kaur, Brian Feldman, Devi Thakrar and Armand Dudas who all believed in me so much, often when I didn't.

Finally, a very special thank you to my many friends in the running community here in Leicester. Eddie and Lavinia Lansdown and Nainesh Radia were among many who have been so supportive and provided significant amounts of coffee and cake when needed and endured my ecstatic highs and equally, my crushing lows.

I am grateful to you all for your help, sound advice and thoroughly wonderful company on what has been for me a fascinating and exhilarating journey. Thank you for everything.

This study is dedicated to the late Allan Sakne.

## Abstract

The primary aim of this study was to investigate English and Scottish charity governance in the regulatory era. To achieve this, the research was divided into three main areas. The first aimed at understanding how the governance environment for charities had evolved over time. The second considered how trustees and charity boards were responding and adapting to this changed environment and what effect this was having on their governance work. Particular reference was made to trustee training and development. The third and concluding part aimed at considering what were the implications for understanding 'good governance' using findings from the previous two areas.

The research methodology was based on a neo-empiricist approach because of its interpretivist mode of engagement with qualitative methods alongside an objectivist epistemology. This was considered as an appropriate methodology for this study and aligned with my ontological and epistemological viewpoint and perspectives. To gather the relevant data in accordance with the research parameters, two methods were adopted. The first consisted of a content analysis of the existing governance framework with this being followed by a round of interviews with trustees to consider their views on the subject.

The findings indicated that approaches to charity governance had increased in both volume and complexity over the years and had adopted a unitarist governance ethos. The interviews demonstrated a high level of compliance with this material, but the evidence also suggested that some groups were developing governance strategies over and above what was required. In the conclusion and as part of my academic contribution, I present a model of good governance surfacing the scope for improved procedures within a controlled regulatory environment. This three-stage conceptual model is divided between Minimum Basic, Intermediate, and Advanced levels of governance and suggest that this would deliver a regulatory field in which innovation could still flourish but a strong framework of support would be retained. It also allows for a range of trustee competencies within the sector to be encouraged and supported.

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## 1. Introduction

The charity sector plays a key role in the economy of both England and Scotland with the provision of goods and services to a wide section of the community. Malik (2008) states 'Charity is a deep-rooted element of human behaviour. It aims to provide emotional, spiritual, and material comfort to those in need' (p.37). Unlike its commercial counterpart, a charity's primary objective is related to the pursuit of social, rather than, profit orientated goals. But Morgan (2008) draws the difference between charity as 'a mode of human behaviour, and charity in an organised sense under which people act together for charitable purposes'. (p.4). The latter 'requires a system of financial giving and responsible people (trustees as we now call them) who administer this giving and ensure it is spent on relevant purposes' (p.4).

### 1.1 Research problem.

The research problem considered within this thesis is that charities in England and Scotland can have a wide variety of perspectives as to what constitutes appropriate governance. However, much of this has been without any clear understanding as to what these perspectives are. There is a large body of research into various areas of governance but the aim of this thesis has been to narrow this down and review both the legislation and the guidance material. This can help to develop governance themes that can be followed and understood by trustees and that can also be developed by them but within a regulatory framework. Failure to develop this knowledge has been shown to potentially create undesirable effects, one of which has been the lack of public confidence within the sector (Populus, 2016). Simple ignorance or lack of understanding has, in some cases, led to catastrophic failure as noted by Khan (2018) and others (Foster, 2016; Senander, 2017). The overall aim was to consider good governance within the English and Scottish charity sector in the light of changing legislation.

### 1.2 Definition of governance

Such governance is often seen as difficult to define and Hyndman and Jones (2011) describe it as 'a fuzzy concept' (p.154). Cornforth (2001) adds to this notion by stating that 'the governance of voluntary and non-profit organisations has long been regarded as problematic' (p.217) and adds that 'In response to the perceived problematic nature of governance there

has been a growing literature on the effectiveness of governing bodies in non-profit organisations' (p.217). This has led to a steady increase in both legislative and guidance material specifically aimed at improving governance within the charity sector. In further research, Cornforth (2012) develops this by stating that much of the early research concentrated purely on the working and development of trustee boards. He considers the topic as being much wider and draws on the work of Ostrower and Stone (2006). They developed and broadened the subject and suggested that any future research should include 'governance structures and board characteristics; governance, stakeholders, and accountability; (as well as) a variety of other topics' (p.1117). This idea that governance was a multi-faceted concept has been one of the main driving themes behind this thesis. Having established the initial thinking, the subsequent aim was to consider what constitutes 'good' and as an initial starting point, a review of table 1 in section 2.11 gives an indication of the variety of views. A more detailed definition is considered in chapter two while legislation is defined as any government enacted statutes since 1960. This year has been chosen as the Charities Act 1960 was the first specific charity legislation of the modern era. Charity guidance is defined as any published material designed to help and guide but specifically it relates to publications and documents that have no legislative authority. The thesis commences with this chapter giving a broad outline of the background and the context of the study. There is then a review of the consequences of poor governance, which is followed by a consideration of several specific management theories relevant to the topic. The chapter concludes with a reflection of the personal inspiration for this research.

### 1.3 Consequences of poor governance for charities and society

Within the corporate sector, governance was codified in the early 1990s with the publication of the Cadbury Report (1992), the details of which are included on page 17. Yet to try and apply this to the charity sector is misguided. Corporate governance relates to the interrelationship between directors and shareholders which are clearly missing from within the charity sector. Here governance is the sole responsibility of trustees and Arrowsmith (2019) states 'Governance can be found in any situation where there is a process of governing, and a well-run charity should demonstrate good governance' (p.8). He states that poor governance 'should not necessarily mean that an organisation will fail' (p.8) but that the implication of this can be far reaching. Poor practice may 'risk reputational damage to a

particular charity, but also risk damage to the sector and the loss of public confidence in the ability of organisations to fulfil their charitable aims' (p.8).

For any charity, governance as a concept is a concern not just for the organisation but also for individual trustees and other stakeholders. As an example Hyndman and McDonnell (2009) state 'the board should have in place high ethical standards' (p.22) while Hind (2011) develops this and considers that 'Public trust and confidence in charities is an essential ingredient to protect the health of the sector' (p.201). Hyndman (2017) also states 'recent major adverse publicity surrounding a number of high-profile scandals has highlighted the need for charities to behave in ways that are acceptable to the society in which they operate, and the society from which they receive their funding' (p.150). Such negative publicity and poor perception can create concern and disappointment with the public and stakeholders alike (Hind, 2011).

#### 1.4 Management theory and governance

High level management theory has been embraced within the commercial sector and there have been attempts to use this ideology to further develop charity governance. Cornforth (2004) states 'Principal-agent theory, or agency theory for short, has been the dominant theory within corporation and corporate governance arrangements (p.14). Jensen and Meckling (1976) define it as 'a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent' (p. 308). But the ideology does not easily transfer from the commercial to the charity sector. Cornforth (2004) states that 'applying agency theory in this (charity) context is not entirely straightforward' (p.15). Agency theory suggests that shareholders, particularly in large corporations, have lost control to professional managers who have developed the specialist knowledge necessary to run them. This loss of control allows managers free reign to pursue their own aims and aspirations and is often brought about by the growing size of the organisation. In charities, the role of the board is different and according to Cornforth (2004) they 'have a diversity of goals, which do not readily translate into traditional measures of business performance, and managerial actions will be less constrained by market forces' (p.15).

Stewardship is another management ideology that has evolved from within the commercial sector. Here the relationship is different, since managers act as stewards to achieve organisational objectives. Cornforth (2004) considers that, as regards the charity sector, it 'is grounded in a human relations perspective and starts from opposite assumptions to agency theory' (p.15). His view when referring to both commercial and charity boards is that 'the main function of the board (commercial or trustee) is not to ensure managerial compliance with shareholders/members interests, but to improve organisational performance. (p.15). These two conflicting theories, one that justifies controls and one that is collaborative, indicate the tensions that can exist both within commercial and charity organisations. Tosi, Brownlee, Silva and Katz (2003) develop this further and conclude that individuals under agency control are inclined to invest more than individuals under stewardship, which can reap benefits in terms of profit maximization for corporations. Cornforth (2004) shares a similar view concluding that stewardship 'assumes that managers want to do a good job and will act as effective stewards of an organisation's resource' (p.15) and this collaborative aspect can be beneficial for charitable organisations.

Other theories have developed in parallel, examples of which include democratic and stakeholder theory which both observe a more collegiate and interdependent approach. These accept that organisations are run by individual competing groups with diverse interests and priorities (Watson, 2006). This perspective is more encompassing and predicts that groups under these mechanisms will exercise duties beyond those required by simple legislation or regulatory requirements. This applies to commercial as well as charity groups. Wells (2012) suggests that 'NPOs (Not for Profit Organisations) are commonly seen as having an essential social (as opposed to commercial) culture' (p.87). However, Lohmann (2007) cautions by stating that 'NPOs frequently act in a similar way to commercial operations, (and) even that raises definitional and perceptual difficulties (p.437).

Some theories, developed as they are from the commercial sector, are readily applicable to charities. An example being stewardship with its aim that shareholders/members desire to improve organisational performance. Other theories have less of a fit with the main example being principal-agency theory. There is nevertheless a strong body of evidence to show the importance of good governance with respect to charities (Hyndman and McDonnell, 2009;

Nunan, 2010, Renz, 2010; Stone and Ostrower, 2007). There are other theories relevant to the charity sector which centre around unitary and pluralistic ideology.

Unitary sees governance and control become the responsibility of an individual or a group of individuals where the principal focus is on accountability to them. This governance and control then becomes the responsibility of this group where the principal focus is on accountability which is devolved downwards to subordinates. Coule (2015) states that it 'tends to focus the work of principals on producing policies and procedures to control the work behaviour of agents' (p.93). If viewed as a pyramid, this group would be close to the top exercising control over individuals further down the hierarchy. Within a charity board the relationship would see the CEO hold the staff to account and the board hold the CEO to account. Typically, the boards' role would be to concentrate on compliance factors like finance and legal issues.

Pluralistic logic however sees charity governance adopt a broader perspective by being devolved to a wider group of individuals. Whereas the key characteristic of unitary governance is a single value system or single loyalty system that eschews diversity and competing logic, pluralism destroys the pyramid analogy since it accepts that the value of competing logics and loyalties and the creativity that comes from mediating differences through a governance system. This may include the accountability of managers to independent tribunals or democratic assemblies or collective bargaining processes. The strength of pluralism is that it accepts competing logic within a system rather than the top-down approach associated with unitarism. Within charities this would see governance issues being devolved to a wider group which may include stakeholders as well as trustees.

Existing governance theory has developed around these different formats. Narrow, unitary logic considers aspects such as board control, checks and compliance represented by agency and stewardship theory (Carver, 2005; Coule, 2015; Turnbull, 1997). Wider, pluralistic style has been engendered by theories such as stakeholder and democratic theory where workplace and local democracy has been encouraged (Ridley-Duff, 2007). However, Coule (2008) cautions this approach and states that 'practitioners do not necessarily operate consistently within a particular stance and often vary their approach within a specific context'

(p.246). Furthermore, this can create ‘the possibility of diverse philosophical approaches to governance and strategic management in voluntary organisations’ (p.246).

As regards charity governance, what is missing is what specifically constitutes governance, particularly good governance when viewed from a legislative and guidance perspective? This will be considered in more detail in chapter two but broadly governance will guide the day-to-day work of trustees and other stakeholders who have responsibility for the running of their groups and especially whether they achieve their stated objectives. This overall obligation to ensure the smooth and effective running has seen significant increased demands being placed on these individuals as both the legislative and guidance requirements have changed. Hyndman and McKillop (2018) reviewed these challenges which include ‘(lack of) faith in the charity sector, increasing calls for transparency, and the efficacy of governance’ (p.144). But the demands for improved governance have developed from various sources and yet there is still no accepted clear understanding as to what good governance is and more especially, what it encompasses. To demystify this, Cornforth (2012) considers governance as being ‘the systems by which organizations are directed, controlled and accountable’ (p.8). Good governance is also tricky to define and can be viewed as a subjective concept which covers various aspects of both trusteeship and management. This is the area that this research aims to consider.

### 1.5 Charity landscape

Cornforth (2012) states ‘the non-profit or third sector has grown rapidly in size and significance in recent decades. This growth has been stimulated in part by the contracting out of public services and the desire of governments to see voluntary and non-profit organisations play a greater role in public service delivery (p.1116). The sector now plays a much wider and involved role within society and as such there are now greater expectations of good practice and accountability. As an example, Hyndman and Jones (2011) suggest that topics worthy of consideration include ‘the accountability of charities to their stakeholders; the impact of volunteerism; the influence of marketization on the sector; and the extent to which beneficiaries should be involved in decision-making processes’ (p.152). Furthermore, the concept of good governance has been brought into sharp focus following several well

publicised failures. These include Kids Company (2015), Oxfam (2017) and several others which will be considered in detail in chapter two.

The aim of this thesis is to consider what improved and developed governance procedures would benefit both charity organisations and those individuals and stakeholders who interact with them. To achieve this, it reviews both the legislation and guidance documentation currently available to consider what constitutes good governance within these regimes. As a reminder, regulation within England and Wales is the responsibility of the Charity Commission for England and Wales while in Scotland this is the devolved responsibility of the Office of the Scottish Charity Regulator (OSCR). This non ministerial department is responsible for a variety of roles including keeping a public register of charities, facilitating compliance and investigating complaints. The main guidance issued by the English regulator is 'The essential trustee: what you need to know, what you need to do' (CC3). As the title suggests it is a comprehensive guide of trustee responsibilities and actions. The equivalent from the Scottish Regulator (OSCR) is 'Guidance and Good practice for Charity Trustees' which is broadly similar and in line with that issued by its English counterpart. There is also guidance entitled 'Cross-border Charity Regulation in Scotland' dealing specifically with border issues for charities operating in both jurisdictions. The next stage of this study was an analysis of how trustee boards have responded to these expectations whilst the final part draws this together to understand the implications for, and consequently how we understand, good governance in the regulatory era. The structure of the thesis is as follows:

**Phase One.** This was a content analysis of the legislation and guidance from 1960 to date. This year has been chosen since it was considered that this represented the start of modern charity legislation. There was, however, a recognition that charity as a concept can be traced back to the Middle Ages and has changed and developed over time. This phase considered the changes that have taken place and the expectations placed on trustees. A specific area considered was the effect that established management theory had on this legislation particularly as it is so relevant within the private commercial sector.

**Phase Two.** This involved in-depth interviews with charity trustees to consider how the changes identified in phase one, impinged on their work. This allowed for the development

of empirical evidence as to the changes faced and allowed for a comprehensive review of the current attitude and understanding of trustees into how they were able to achieve their organisational objectives. Analysis of this data, together with a review of management theory, allowed for the development of phase three.

**Phase Three.** With this analysis and evidence developed, the final work tied them together to understand what constituted good governance within this legislative environment. The aim being to understand how trustee boards dealt with increased expectations and what implications, if any, this had for the future development and viability of the sector.

### 1.6 Research questions.

The questions relevant to this study were as follows:

1. How has the regulatory and guidance environment for English and Scottish registered charities evolved since 1960?
2. How are charity boards responding to this environment and what effect has this had on their governance work?
3. What implications do 1 and 2 above hold for the way we understand 'good governance' in the regulatory era?

These questions form the thread that runs through this research and will be apparent as the analysis work develops. The concluding chapter will attempt to answer each of these questions to draw this study together. Furthermore, the aim was that these findings will provide for an ongoing consideration for future work appropriate to this topic.

### 1.7 Research contribution.

The research contribution was as follows.

- First, it provides an examination of the changes both legislative and guidance based that have attempted to encourage good governance within the context of English and Scottish charity jurisdiction.



- Secondly, the thesis illustrates how boards and trustees are adapting to these new procedures.
- And finally, a model of good governance is developed that is aimed at encouraging improved governance procedures but from within a controlled regulatory environment.

### 1.8 Charity perspective

The charity sector in England and Scotland is a major, if frequently overlooked, economic contributor. As of March 2022, there were over 170,000 registered charities in England and Wales which was up by over 1,000 on the previous year (Statista.com). According to the Charity Commission for England and Wales there were nearly 930,000 trustees and over 5m volunteers while in Scotland there were over 45,000 registered charities. In both jurisdictions, their work ranges from dealing with health and wellbeing through to environmental issues, education, and conservation.

But this effectively presents a false picture since it only deals with charities that are registered with the relevant regulator. There are a significant number that, because of legislation, do not need to register and as such their actual number is effectively unknown. The National Audit Office (2012) states 'We estimate there are over 191,000 unregistered charities with a combined income of at least £57.7 billion. There are also organisations, such as social enterprises and mutuals which work in the public interest but which often sit outside of charity law and regulation' (p.9). The last comment is pertinent since there are still more groups that have charitable status but are not required to register. Ainsworth (2015) states 'there are also separate rules for tens of thousands of scout, guide and cadet groups, tens of thousands more Church of England parishes with incomes under £100,000, and a much smaller number of armed forces charities with incomes under £100,000'. Whilst these groups are excepted from regulation, they are still required to be regulated. And to add to this already complicated situation, there are several groups that are deemed to be exempt charities that are under the control of another regulator and are not required to register. These often include among others, schools, colleges, friendly societies and museums. The difference between excepted charities and exempt needs to be noted as it gives an indication

as to the complex and complicated nature of the sector. As a final example, Ainsworth (2015) states ‘then there is Kew Gardens, a non-departmental public body regulated by Defra, which technically occupies a regulatory category all of its own’.

In respect of this thesis, the analysis concentrates exclusively on registered charities being ones either registered with the Charity Commission for England and Wales or the Office of the Scottish Charity Regulator. All other charities, for the sake of clarity, are ignored.

Charities whether registered, excepted or exempt form a diverse sector that both creates employment as well as contributing to the national economy and public confidence is critical if the sector is to function effectively. The Charity Commission for England and Wales conducts yearly surveys of attitudes and the most recent indicates that trust in charities is improving (Charity Commission, 2021). Since 2014, there have been issues relating to aggressive fund-raising practices, inappropriate data sharing and questionable commercial relationships. This was exemplified by the collapse of Kids Company (Foster, 2016) as well as damaging revelations regarding the Cup Trust (National Audit Office, 2013). Further bad publicity relating to the National Hereditary Breast Cancer Charity has heightened awareness of poor practice and financial control (Charity Commission, 2017). Government funding of the sector has also fallen significantly with austerity sanctions and these cuts have increased the pressure to find alternative income sources. This burden has disproportionately fallen on trustees, forcing commercialisation upon organisations (Baring Foundation, 2012). Individual groups following inappropriate procedures have brought additional pressure on the sector.

Given the role that charities play and the problems that have been encountered, governance can be seen as an issue that needs to be examined and if found lacking, to be improved. The intention of this study was to conduct this research to benefit the various stakeholders who have an interest in its success.

## 1.9 Structural outline

In this chapter, the context of the study has been reviewed together with a summary of the background associated with it. The problem has been discussed and the aims and objectives

have been articulated together with the agreed research questions. This has been set in the context of the study.

In chapter two, the existing literature on aspects of governance will be considered together with an understanding of the context of charities within English and Scottish jurisdiction. The aim is to review the existing work relevant to this research and to add some perspective.

Chapter three will review the theoretical framework which includes a justification of the research methodology and methods, including a discussion of broader research consideration.

In chapter four, the content analysis of both the legislation and the guidance documentation will be examined. The aim being to provide an answer to the first research question and towards the end of the chapter there will be a review of the governance themes that have emerged.

Chapter five will consider the interviews with the selected trustees and complete an analysis of their views on good governance. The aim being to develop a table of good governance from the findings that emerged. This will form part of the answer to the second research question.

Chapter six will be the main discussion chapter in which the views of both the trustees and the review of the content analysis will be married together to develop and consider aspects of charity governance. Whilst driven by the third research question, the overall aim will be to consider those aspects as developed by trustees when these are viewed in consideration of the legal and guidance framework. The intention being to develop further governance concepts that can be used to enhance the development of the concept of good governance for charities.

Chapter seven will be the concluding chapter that will consider what the study has achieved and whether the aims and objectives have been developed in sufficient detail to answer the established research questions. A significant part will be devoted to considering whether the

hopes and expectations of the study have been accomplished. A review of the limitations of the research will also be considered together with suggestions for future research.

### 1.10 Personal inspiration for this study

My interest and involvement in the charity sector commenced over forty years ago and continues to this day. During this period, I have held numerous roles and from 2001 onwards I became Director of Finance for a major UK charity. During this period, I was fortunate to work with a wide cross section of people from trustees, fund raisers and other stakeholders. It is a truism that if charities do not engage with some of the key issues within society, then it is unlikely that any other organisation will. As discussed, the sector plays a significant role within the economy and contributes much in terms of income and employment.

My involvement has spanned numerous changes from the introduction, in 1988, of the first Statement of Recommended Practice (SORP 2) together with the involvement by successive governments in the outsourcing of welfare services during the 1990s (Cornforth, 2005; O'Hagan, 2001). But this period of structural change has also seen several scandals (Corry, 2016; Hind, 2017) which at times have eroded public trust. This lack of confidence has also added to the debate as to the role of governance (Plummer, 2003) which has ebbed and flowed during this period. The Charity Commission for England and Wales now sample public confidence on a yearly basis (Hind, 2011) since this is viewed as critical for the development of the sector.

My involvement has made me aware as to the role that effective governance can and should play. I have been fortunate to work with trustees who have a passion for the sector and were keen to see it be both successful and effective. I have also witnessed what appeared to me to be poor governance and seen the damage that this can create to both an organisation and its stakeholders. I have also witnessed the day-to-day stresses and strains of everyday matters and am aware that good governance can be a guiding principle for these groups to achieve their stated objectives for the benefit of all stakeholders. I have been fortunate to view the sector as both a trustee and as a practitioner which has given me a unique insight into the workings of such an important group.

The aim of this research was to investigate what constitutes good governance to promote a well governed charity sector that will contribute to society. However, I am also aware that this is a challenging and complex topic, hence my interest in it. As a doctoral thesis this has been several years in consideration, due to work and family commitments but as there is a need for such research, now is the time for this to be completed.

## 2. Literature Review

Chapter one analysed the thinking and reasons behind this doctoral study. Aspects reviewed included the definition of governance, background material, the considered research problem together with a brief look at established management and governance theory. The aim of this chapter is to review the academic research and consider how this study can add to the debate. It starts with a look at the history of charity and then considers charity governance in terms of its history and development together with the changes that have occurred. There is then an in-depth review of the main governance theories followed by a consideration of 'good' governance. The chapter concludes with a look at both the legislation and guidance material available to charities together with other indicators of good governance. This is all brought together via Table 1 on page 42.

### 2.1 History of Charity

Charities have been part of the fabric of Society for over 900 years. Early groups were often formed by religious orders or wealthy individuals, were locally based and parochial in outlook. Considered to be one of the earliest charities is the Hospital of St Cross in Winchester. Formed in 1136, Prendergast (1896) states that it is 'one of the oldest continuous charitable foundations in the UK'. Their recipients were 'the poor, especially orphans and widows and the sick or disabled' (Want2donate.org, 2014). These early orders were often established by either religious groups or philanthropic individuals.

The social upheavals of the 16<sup>th</sup> century together with the Reformation altered the view of charity. Davis (2017) states that the Catholic church had encouraged the giving of alms for the 'salvation of the soul' and individuals would be judged by a supreme Deity. The Protestant view was different and viewed giving to charity as requiring a 'meaning and an end'. This was not just restricted to the UK. Ardashkin and Bykov (2016) state that across Europe the works of reformers like Calvin, Luther and Zwingli encouraged adherents to follow a moral Christian code that linked the scriptures to individual mercy. Helping the poor was encouraged as a positive and righteous self-act.

The increase in population, rapid urbanisation and the move away from the land created new forms of poverty which saw a broadening of its definition. Terms like 'labouring poor' to mean those who were working but were unable to provide was coined by Daniel Defoe in 1707 in *'The True Born Englishman'* although the term had appeared well before that. New urban conurbations created new forms of poverty that local authorities were starting to get involved with. One of the first schemes was between 1540 and 1550 with the creation of shelters by the London Authority (Ardashkin and Bykov, 2016). This was new and coincided with the secular changes taking place. The protestant Tudors were keen to discourage idleness but there was no consistent policy and the poor were frequently dealt with via savage means (Jones, 1968).

The 'Statute on the Charity Use' created in 1601 in the new Elizabethan era is considered to be the foundation stone for charity legislation in the UK. (Gillespie, n.d.) This included a list of what was considered charitable needs. This included 'the poor, paralytic, elder, sick and lame soldiers' and sailors' and it encouraged the development of charity through private means. Religious orders were still expected to have a part in this provision but greater diversity was expected. This dual approach continued with parishes, religious orders and some local authorities doing their best to help those in need. It developed in an ad hoc way and was chaotic and haphazard.

The creation of the Mortmain Act of 1736 was intended to prevent charitable bequests being made within one year of death. Gillespie (n.d.) states that this development had unintended consequences as the only way to overturn a bequest was to show that it was for charity purposes thus extending the scope. Abandoned children, prostitutes and the sick and the infirm all benefited from these new style charities. This had the effect of moving charitable relief from individual parishes to what would be seen by today's standards as established charitable groups. The Foundling Hospital in London is an example. It was established by ex-sea captain Thomas Coram in 1739 to 'turn children of the poor into virtuous and industrious members of society' (Miley, Read, Baskerville & Servalli, 2016).

Further legislation in the early 1880s saw the creation of a commission to look after educational charities. This ultimately led to the creation of the Charity Commissioners as a

permanent body in 1853. Owen (1964) rather ominously states that it had a record of 'frustration and disappointment balanced by a good deal of solid achievement'. As the century developed the relationship between the state and charity eventually overlapped with the creation of the Welfare State in 1946. Owen (1964) states that existing charities had become a 'junior partner in the welfare firm'. Several well-known charities were established during this period. Oxfam formed in 1942 to 'aid starving women and children in enemy occupied Greece' (Oxfam.org, 2019) while Scope was founded in 1951 as the Spastics Society (Scope, 2019). The Reverend Chad Varah, being aware of a specific societal need in London, formed the Samaritans in 1953 and this and other charities formed at the time have developed into the large organisations that are known today.

The post war period was one of growth, relative prosperity as well as significant political and social change. The Beveridge Report (1942) proposed a radically different way of delivering health services which eventually saw the introduction of the National Health Service (NHS) in 1948. Other changes saw the introduction of the Education Act (1944) which radically altered the delivery of education. As society changed, the developing charities changed accordingly to meet the perceived needs of a radically altering society and as they evolved so too have the governance structures needed to adapt to meet the differing functions they were being asked to provide.

This development is premised on the need to continue to develop good governance strategies in both England and Scotland (Hyndman, & Jones, 2011) where Cornforth (2012) defines governance as being 'the systems by which organizations are directed, controlled and accountable' (p.8). There are, however, conflicting views as how this can be best achieved and as the sector has grown there has been an increasing amount of academic research designed to investigate this topic (Cornforth, 2012; Coule, 2015; Hyndman and McDonnell, 2009).

## 2.2 Charity governance: History and Practice.

Governance as a topic has a long and involved history and over time much has been written. Cornforth (2012) states that 'The word governance has its roots in a Latin word meaning to steer or give direction' (p.1121) while Hyndman and McDonnell (2009) develop this by stating



that 'governance comes from the Latin word *gubernare*, meaning 'to direct, rule or guide', which was in turn derived from the Greek term *kybernan*. This means 'to steer or pilot a ship' (p.6). This nautical analogy is both simplistic and useful and gives a broad understanding of the topic as being concerned with ensuring that groups and individuals are guided and directed to work towards a perceived and common goal. Continuing this nautical analogy, a ship will always require more than one person to adequately function and governance will therefore be concerned as to how these groups work, interact with each other and are controlled. Within the business sector, corporate governance has a long-established history and academically has seen much interest and research. Yet to compare charity governance to the corporate sector would be both ill-advised and incorrect. Hyndman and Jones (2011) state that 'The most fundamental problem is that charities are not supposed to provide a financial return to their fund-providers' (p.151) which makes any comparison between the two difficult. Whilst governance as a concept has many parameters from within the business community, to try and craft this onto the charity sector is challenging and requires a different perspective.

Given this difference in approach there are further problems when trying to arrive at a specific definition of the term. Hodges et al (1996) in respect of the corporate sector, is optimistic when he states that 'there is some degree of consensus that it (governance) concerns the direction and control of the enterprise and ensuring reasonable expectations of external accountability (p.7). This view of 'control and direction' does start to become a consistent theme but Spear (2004) has concerns over the idea of accountability and highlights issues such as excessive executive power, globalisation and a rising concern for environmental issues as being problematic. In the light of several company scandals and failures in the 1990s, particularly Maxwell Communications (Haines, 1999) and Polly Peck (Gillard et al, 1990) there was some unease as to the behaviour of some large multinational companies and this led to the publication of the influential report on the Financial Aspects of Corporate Governance (1992). Known colloquially as the Cadbury Report (1992) it states that 'corporate governance concerns the way in which companies are directed and controlled' (p.15). It identified three levels of responsibility:

- The individual level. Shareholders, employees, customers, and suppliers.

- The wider level. Making the most of the organisation's human resources together with caring for the environment.
- The third level which was more nebulous and less well defined but includes the business working as part of a wider community.

This report led to more legislation and regulation within the corporate sector which was an attempt to drive up standards and improve expectations. Cornforth (2012) reviewed this and looked specifically at company boards who, he states, have the 'main responsibility in an organization for carrying out governance functions' (p.1122). He also acknowledges, however, that 'the corporate or organizational governance system is wider than this and includes the framework of responsibilities, requirements, and accountabilities within which organizations operate, including regulatory, audit and reporting requirements, and relations with key stakeholders' (p.1122). This is pertinent since it starts to focus on the idea that governance, be it corporate or charity, is not specifically dependent on one aspect but is concerned more with a variety of different overlapping activities all of which interact to form this idea of 'governance'.

This continued development within the business community attracted academic research and debate. As a definition, Kooimans (1999) considers that governance as a term has infiltrated many aspects of the social science research and that it could, and often does, mean different things to different people. Disciplines that attracted scholarly interest ranged from 'international relations, public administration and management and political science and economics' (1999, p.68). Yet this wide variation has often meant that the term has become confusing and subsequently leading to different meanings within different disciplines. The idea of different aspects making up governance was developed by Rhodes (1997) who envisaged six distinct types which Kooimans (1999) considered to be insufficient. He expanded this to eleven to encompass the wide area that it was felt the term needed to cover and this ranged from state, through to corporate, international and economic governance and more. With so many meanings covering many different areas Kooimans (1999) accepts there is no one general accepted definition but concludes that there is a degree of commonality. These range from rules and the quality of systems, through to enhanced legitimacy and effectiveness as well as new processes, arrangements and methods. He

specifies that 'all those activities of social, political, and administrative actors that can be seen as purposeful efforts to guide, steer, control or manage (sectors or facets of) societies' (Kooiman, 1993, p.2). Such an early definition encompasses a wide range of academic disciplines which suggests that such definitions are often complicated, unduly complex and difficult to define.

Steen-Johnsen, Eynaud & Wijkström (2011) developed and enhanced this and made their analysis more focused and nuanced and considered governance from just two perspectives. The first being 'external' which encompasses state legislators and involves 'how societies are governed' (2011, p.555). They suggest that this would be the academic domain of the political scientist. The next was deemed 'internal' and includes organisations, both public and private, and their use and efficiency of resources. This is viewed as the domain of scholars with an interest in management, law and economics. Yet this development and the interaction of these two constituents, could not simply be viewed in isolation as it develops within a socio-economic structure. Steen-Johnsen, Eynaud, & Wijkström (2011) consider that 'the internal governance game shapes the conditions for the organisation's positions and actions in the external governance environment, and vice versa' (p.556). Furthermore, 'these two dimensions need to be analysed together or at least with the other aspect in mind while conceptualising governance' (p.556). This wide generalisation of what governance is together with interest from academics has meant that numerous definitions have been developed. Van Doeveren, (2011) states 'confusion about the meaning of governance intensified due to its 'travels' across disciplinary and sub disciplinary borders' (p.303). Moreover, van Kersbergen, Kees and van Waarden (2004) implied that this had prevented the emergence of a more generalised definition. What this indicates is that simply trying to arrive at a basic definition of governance was already challenging and Van Doeveren (2011) went further by stating it was also 'confusing'.

### 2.3 Charity governance: Changes and Developments.

There are several reasons behind the desire to improve charity governance and this thesis has concentrated on two.

They are:

- An encouragement by central government towards a more commercialised charity sector, and
- A desire for more accountability to donors and stakeholders in the light of well publicised problems which in turn has allowed a poor perception of trust to develop within the public, donors, and stakeholders.

### 2.3.1 A more commercialised sector

Many western democracies, including England and Scotland, have seen an expansion of charity involvement within welfare provision and service delivery in the face of public sector funding cuts (Slawson, 2016). Ryan (1999) states that many welfare services have effectively been outsourced by the state to charitable bodies which in some cases has compromised their charitable objectives. (Ryan, 1999; Ryan, 2007; Slawson, 2016). 'Because government partners have changed the rules of the game so dramatically, non-profits may be retreating from their mission to gain market share' (Ryan, 1999, p.25). He also indicates that, 'non-profits can win and lose simultaneously' (1999, p.25). Paxton and Pearce (2005) are not convinced and view this development from a more positive aspect with a belief that these changes can benefit both commissioners and service users whilst developing a 'radical reshaping of the relationship between the provider, the user and the whole community' (p.79). This reshaping of the charity landscape has occurred at the same time as successive governments have moved away from the traditional 'planned economy' social system which has been part of their service delivery since the major reforms of the late 1940s. Some view this as a move by the political right who considered that the traditional structure was 'unresponsive, inefficient and undermined personal liberty' (2005, p.8). Furthermore, these changes mean that both welfare and service delivery are now 'at arm's length from the state, to help improve performance; and attempts to ensure a plurality of providers in areas previously seen as the reserve of public providers' (2005, p.8). Funding of voluntary groups increased by over 40% in the period from 1991 to 2001 (Paxton and Pearce, 2005) and with government encouragement 'the overall Voluntary Community Sector has continued to grow, although at a slower pace than a decade ago' (2005, p.11).

Prior to the societal and structural issues created by the 2020 pandemic, there was some evidence that austerity may have been ending as in the next fiscal year, the budget of the Charity Commission was set to increase (Kay, 2019). The introduction of support for employees via the Furlough Arrangement and the subsequent Coronavirus Job Retention Scheme also indicated that the regime of austerity was finally over. However, as of 2022 existing economic uncertainty remained and there were no parallel indications that the government had an intention to reclaim service delivery from the sector (Partington, 2018). All the main political parties had positioned the state firmly as a market creator and reformer, rather than deliverer of welfare provision (Coule & Bennett, 2018). The implication of this move towards greater commercialisation and marketisation was a desire and demand by central government and stakeholders for more accountability and effectiveness (Cornforth, 2001; Holland and Jackson, 1998; Ingram, 2006).

Jobome (2006) considered this changed relationship and indicates how organisations that received external funding, particularly from central government, were specifically contracted to provide metrics about performance and effectiveness to the funding body. This was in addition to monitoring by existing bodies such as the Charity Commission (2003; par 62) who were also expecting improved procedures where external funding and contracts were involved. They state that 'service specifications, performance measures, monitoring and reviews enable a public body both to make clear what is expected of the contracting charity and to assess whether that duty of care is being properly discharged' (par 62). The relationship between external funding bodies and the greater commercialisation of the charity sector in respect of these contracts suggested that improved governance and procedures were expected as part of this changed funding relationship. Whilst the relationship between metrics and governance can be tenuous, there is little doubt that governance expectations on charitable groups has changed as funding regimes have also developed and expanded.

### 2.3.2 More accountability to donors and stakeholders

Compliance with charity law rests specifically with the governing body, the Board of Trustees who are volunteers and unpaid. There is an existing view that the work of any board can be measured and compared against specific criteria, mainly financial, which can easily be measured, codified, and audited (Ritchie and Kolodinsky, 2003). The assumption is that this

will lead to improved accountability and effectiveness of which Cordery and Sinclair, (2013) are major exponents and they provided an insight. They indicate that ‘researchers and consultants have derived economic measures such as social return on investment (SROI) and cost-benefit analysis (CBA) frameworks’ (p.198) that can indicate good or poor features within any charity. The implications for trustees of the increased demand for accountability is a need for greater knowledge, experience and qualification or the ability to outsource this work to other more suitably qualified individuals. They have overall responsibility for the objective achievement of their organisation and as volunteers, will have other numerous demands on their time and ability.

The governance implication here is that the adoption of more measurement of factors and accounting compliance will push for an improvement throughout the sector. As indicated, there has been a policy by successive governments to outsource service delivery and to make accountability part of that reform whilst encouraging the sector to become more commercialised. This means that trustees must increase their knowledge and experience of such factors to comply with these demands. The alternative has been to move this outside of their organisations to get professional qualified individuals to do the work for them. This will obviously increase overall running costs leaving less for charitable objectives.

The next point concentrates on trust and accountability. Empirical evidence suggests that there is an issue of confidence in institutions, and charities specifically (Brindle, 2019). Populus (2020), a representative of the Charity Commission, states ‘Whilst trust in other social institutions may have declined in comparison, we consider it unsatisfactory that charities are trusted less than the average man or woman in the street’ (Charity Commission, 2018, p.2). Hind (2011) states ‘Public trust and confidence in charities is an essential ingredient to protect the health of the sector’ (p.201). This concern is shared by the regulatory body, the Charity Commission of England, and Wales. At a speech in 2018 to the Royal Society of Arts, the Baroness Stowell, then the Charity Commission Chair said:

*“People have seen some charities displaying uncharitable behaviour – whether that be aggressive fund-raising practices, exploitation of vulnerable people, a single-minded pursuit*

*of organisational growth – and they have become less inclined to trust them unquestioningly.”*  
(Baroness Stowell, October 2018). (www.gov.uk. 2019)

This concern over trust developed after several high-profile failures. (Foster, 2016; Senander, 2017; Khan, 2018). The Oxfam Haiti sex scandal, the demise of Kids Company, problems at the Alzheimer's Society and issues with the Catholic Church have created an impression of a sector in crisis. Yet there was not a consistent theme. Some media reports relate to the misuse of funds, others to the abuse of vulnerable individuals whereas others relate to the mistreatment of paid and unpaid staff. More recently, media concern has been raised over a charity of which the current Chancellor of the Exchequer, Jeremy Hunt was a founder and a current trustee. Wait (2022) states that the recent published set of accounts indicate that out of an income of £164,400, one employee was paid between £110,000 and £120,00. 'A salary of £120,000 is 72% of the charity's annual income for the financial year ending January 2022' (Wait, 2022). More recent adverse publicity in respect of Oxfam (Downes, 2023) has further brought into question governance issues and trustee responsibility. Other matters have included aggressive outsourced fund-raising techniques which have further added to these issues (Morris, 2016). Cordery and Baskerville (2011) consider that 'whilst increased regulation is one response to reduce charity fraud and to increase organisational accountability, regulators seldom recognise the myriad of heterogeneous needs of stakeholders' (p.197). They suggest that beneficiaries and stakeholders develop various tactics to enhance their demands for accountability on charity trustees. These are not always enhanced by increased regulation, and they suggest that charity trustees need to develop improved methods to reach out to all stakeholders to develop and inspire trust in their organisation.

The Charity Commission for England and Wales publication 'Public trust in charities' (2021) states 'For the second year running, public trust in charities in England and Wales is on the rise, approaching its 2014 peak'. But it also warns that 'The public continues to hold high expectations of charities. Meeting those public expectations will be crucial in advancing the ongoing recovery of trust and ensuring that the collective reputation of charity can thrive.' (Public trust in charities 2021: web version, 2022). The impression gained is that the public hold the sector to a high standard, higher than ordinary commercial organisations and they

expect these standards to be maintained. This puts charities in a unique and revered position whereby public trust and confidence must be earned and then maintained. There have been other more recent problems particularly within the National Trust (Stephenson, 2022) and the Captain Tom Foundation (Ricketts, 2022). These have attracted negative publicity in respect of both fund-raising and external payments. But the Charity Commission appear to be hoping that the serious problems in the early part of the decade and the loss of public confidence that ensued, could be on the wane. They state, 'the journey to restoring public trust following scandals involving household name charities between 2014 and 2018 remains a gradual one' (Public trust in charities 2021: web version, 2022).

An initial review of the legislation suggested there had been a significant increase in both this and charity regulation over the last 50 years. This in part was prompted by the publication of the Woodfield Report (Woodfield, 1987) where Sir Philip Woodfield was tasked by the Thatcher government to review the existing charity legislation. His report indicated there were significant deficiencies and 'found that the charity sector to be largely unsupervised' (Harrow and Palmer, 1998, p.172). The acceptance of the report by the government resulted in the publication of the White Paper 'Charities: A framework for the future (HMSO, 1989)' which resulted in the Charities Acts of 1992 and 1993 and many of the recommendations from the earlier Woodfield Committee were included in this legislation. The Charities Act 1992 required further consolidation in 1993 following the general election and the subsequent Charities Act 1993 remained the primary source until the publication of the Charities Act 2011.

This increased role for charities in respect of outsourced welfare provision (Palmer & Randall, 2002) and other social responsibilities saw a demand develop for greater responsibility and efficiency. This period of change saw the emphasis move from statutory regulation to an awareness, primarily within central government and some charity groups, that self-regulation and standard setting was the way to improve and develop. This change of emphasis in part resulted from the work of Deakin Commission (1996) which although not technically a government report (it was instigated by the National Council for Voluntary Organisations) was an attempt to define the future role for the voluntary sector from the perspective of the changing landscape of the 1990s. The report produced over sixty recommendations and although these were mostly ignored by the government, its tone and desire to establish some



form of self-regulation persisted. Whilst unknown at the time, Breen, Dunn and Sidel (2017) state that the report was fundamental in establishing the concept of self-regulation. This set in motion a desire for this to occur which developed in the new millennium. Other reports followed including:

- The Review of Law and Regulatory Structure of the Charity Sector (2002)
- The Hampton Review (2005) looked at reducing administrative burdens
- The Good Governance Code for Voluntary and Community Sector (2005)

All were intended to improve the function of governance. The Good Governance Code for Voluntary and Community Sector (2005) set out aspects of governance and encouraged the sector to improve and develop this code along the self-regulation route mentioned. Despite this, more primary legislation followed with the Charities Act 2006, and this aimed at modernising and improving the way organisations operated. Five years later much of the contents from this Act were further improved and updated with the Charities Act 2011 which remains the current charity legislation. 2016 also saw the introduction of the Charities (Protection and Social Investment) Act 2016, which expanded the powers and role of the Charity Commission. Furthermore, during this period there have also been developments relating to Scottish and Northern Ireland charities in respect of devolved powers of administration.

#### 2.4 Charity governance: theoretical framework.

There are a range of governance theories each with differing theoretical frameworks and their review forms an integral part of this research. Unitary and pluralistic tend to get extensively quoted but there are others notably agency and stewardship with the latter having been developed from within the corporate sector. What this suggests is that the idea of charity governance is both complicated, involved and includes many different aspects. Some theories consider how groups interact. An example being Stone and Ostrower (2007) who suggest that future research should concentrate on 'expanding our focus beyond boards as well as doing far more to examine the relationship between boards and other actors engaged in governance' (p.427). Along similar lines Morrison and Salipante (2007) consider that as well as being responsible for the traditional aspects of running an organisation, trustees must

also 'include measures of how well the organization is upholding its mission' (p.196). This interpersonal relationship aspect of governance has also been considered by other researchers, notably Coule (2008) who states that 'it should be borne in mind that practitioners do not necessarily operate consistently within a particular stance and often vary their approach within a specific context' (p.246).

Paton (2003) looked at the attitudes of managers to performance and improvement indicators and used a religious analogy. He states that 'The impression from this research is that most are discerning, not gullible, consumers; occasional and doubting attenders at the church, rather than true believers' (Paton, 2003, p.157). The conclusion being that some managers were keen to adopt such governance measures while others are more cynical and less accepting. Indeed, managers are sometimes put in a dilemma since 'they seem to face an unwelcome choice; either they swallow their doubts and commit to the performance agenda, or they join the ranks of the doubters and cynics.' (2003, p.164). Paton (2003) considers this to be a natural reaction and questioning can represent a positive aspect of managing. His view is a form of critical pragmatism as opposed to dogmatic acceptance of the rules. If this is so, then the idea that some managers are lukewarm to performance enhancing measures would seem to correlate the work of Wijen (2004). Similarly, Forbes (1998) conducts a critical review of research into the organisational effectiveness in non-profit organisations. Essentially not reviewing (or discussing) any specific management theory he states 'some managers will respond to this challenger by dismissing the entire process of effectiveness assessment as a meaningless distraction and clinging tightly to established priorities and routines' (1998, p.197). The implication is that managers are responsible for a high proportion of decisions within non-profit organisations. If this is so, this would suggest that acceptance of good governance principles by trustees is both involved, complex and multifaceted and will therefore adopt diverse ideas and expectations. Furthermore, the indication is they will bring or adopt their own views and expectations which will have been formed elsewhere either outside the sector or within in. This gives an indication of the complex nature of governance theories and some of the aspects that are pertinent to them.

## 2.5 New Public Governance.

This was a concept that developed during the late 1980s and was viewed at the time as a way of improving service delivery for not-for-profit organisations via a series of reform programmes. Rather than a new concept it was effectively seen as a new paradigm which Osborne and Gaebler (1992) called 'reinventing government'. Much of it dealt with operational issues whilst stressing the importance of effective management who were expected to drive up services levels and drive down costs. The idea developed heated debate both for and against but Salamon (1997) describes it as 'the marketisation of the sector' which were the views adopted by Eikenberry and Kluver (2004) who considered that it was trying to introduce commercial aspects into the management structure. A major area included competition and this encompassed directly between charities as well as competition in the provision of services. Osborne and Gaebler (1992) commented 'If competition saves money only by skimping on wages or benefits, for instance, governments should question its value' (p.79). The overall governance ethos adopted was aimed at empowering management to develop and improve service delivery within the charity sector.

This 'developing commercialisation' of the sector was prevalent in other areas as well. Dees (1998) was conscious early in his research on US non-profits (NFPs) that the structural changes that these organisations operated in would exert specific financial pressure on them. Although taken from an American perspective just before the millennium, he intimates that, 'Pressure on NFPs to become sustainable through the introduction of commercial activity suggests that it is possible to position social enterprises along a spectrum from the purely philanthropic to the purely commercial' (Dees, 1998, p.60). The issue of funding raises the question of how these organisations are expected to survive, prosper and develop in a changing environment. The funding issue is critical and has implications for both their management and governance. When looked at from an English and Scottish perspective, Chell (2007) paints it as a continuum. At one end there are those organisations, often charitable, who are funded mainly through philanthropic activities. Examples include the National Trust, the Royal Society for the Protection of Birds (RSPB) and English Heritage who are 'relying heavily on donations, also have some commercial activity (retail outlets, cafeterias, etc.) to provide services for visitors' (p.11). Some are charitable, others not. At the other end of the

spectrum are organisations that according to Chell (2007) are 'social enterprises that have as their first mission the creation of social benefit but do not necessarily have charitable status'.

Eikenberry and Kluver (2004) states 'non-profit organisations have increasingly adopted the approaches and values of the private market' (p.132) but they further warned that some academics had 'concern that the market-based model of public management, with its emphasis on entrepreneurialism and satisfying individual clients' self-interest, is incompatible with democratic accountability, citizenship and an emphasis on collective action for the public interest' (p.132). A more recent article by McKay et al (2015) looks at two areas of marketisation in the charity sector. The first concerns the 're-labelling of charitable activity as social entrepreneurship' (p.339) but his second and main concern is funding whereby he 'focuses more narrowly on the ways in which non-profits are funded. That is a supposed transfer from grants and donations to commercial revenue' (p.339). The change and the implications for charities are therefore wide ranging. There is now greater pressure on some of these groups to generate commercial income to achieve their objectives. Furthermore, successive governments have expected charities to be involved with and often deliver, welfare services which they have devolved to the sector. The relevance for this research is to look at how these structural changes, both strategic and financial, have influenced governance issues, if at all.

## 2.6 Charity governance: specific theories.

### 2.6.1 Unitary logic

A unitary approach to governance, particularly within a charity structure, is where the board will have absolute power to make decisions. These are enacted by a small group who are empowered to make those decisions. Coule (2015) states that it is a 'perspective built on the assumption that everyone; employees, beneficiaries and the wider community will benefit' (p.77). Coule (2008) further states that 'the current legal and regulatory environment encourages an exclusive unitary approach to the governance and management of voluntary organisations, which focuses on compliance (p.234). Under unitary logic, individuals are deemed to be rational and able to make considered decisions based on their knowledge and experience. The dominant management theory under this approach is principal-agent theory

where trustees and managers have diverse and different interests. Coule (2015) defines this as 'Essentially, such relationships explain the behavior of actors within a hierarchical order insofar as agents are expected to act on behalf of principals and in pursuit of principals' interests above their own' (p.75). Carman (2011) develops this further by stating that 'the individuals or parties involved in a relationship are either principals or agents. The principal is the party whose interests are meant to be served by the relationship. The agent acts on behalf of the principal' (p.352). Ridley-Duff (2007) suggests that the unitary logic 'results in presumptions that a meritocracy, headed by an elite, are still entitled to set the rules regarding who can, and cannot, participate in decisions' (p.5).

Good governance from a unitary perspective is where rules and regulations are imposed from the elite group onto a larger group who will have no ability or access to participate in the making of these rules. This will constitute a top-down model which is evidenced in many commercial organisations and popular within the charity sector. Normally, from a charity perspective it will be represented by a trustee group acting as an elite, setting rules and targets, that other individuals further down the organisational pyramid would be expected to follow, action and report back. This is like a command-and-control system where rules are adopted and the expectation from the elite is that they will be actioned.

The key purpose of the charity sector is to achieve charitable aims and objectives and to achieve this, governance guidance is currently driven by guidelines, rules and regulations from regulatory bodies. Coule (2015) states that 'accountability is founded upon principal-agent relationships and a rule-based view' (p.85) and whilst her research looks at financial accountability this by implication covers governance issues. The assumption is that compliance with rules and regulations in a principal-agent relationship guided by a unitary logic will create good governance. Moreover, board practices are frequently based on transactions and compliance, an example being Charity Commission Guidance document CC3 (Charity Commission, 2017) which gives details of what is expected from trustees. This ranges from trustee eligibility through to legal requirements concerning the protection of assets. Other rules concern financial and reporting aspects, designed to ensure that the organisation remains both financially viable and legally compliant. There is a mixture of non-specific 'must do' guidance covering such topics as 'working in the best interest of the organisation' and

ensuring 'due care and skill' is applied. From any regulator this is a highly prescriptive, 'top down' approach. The 'Charity Governance Code' (Charity Governance Code Steering Group, 2017) although not strictly published by the regulator fully supports this.

There are, however, problems with such an approach. Most registered charities are regulated by the Charity Commission but the Charities Act 2006 recognised that there was a large group of 'other charities' that, often for historical reasons, were exempt from registration. Studd (2010) states 'exempt charities are those that have not historically been required or permitted to register with the Charity Commission because they were regarded as sufficiently regulated by or accountable to, another body or authority' (p.16). These include universities, museums and some student unions. The 2006 Act was an attempt to normalise the way these were regulated and according to the Charity Commission (2011) they were given two options:

1. Either have a principal regulator to regulate them as charities, or
2. Be no longer exempt and have the Commission as their regulator.

Studd (2010) states this marked 'the beginning of the end of exempt status for all but a handful of exempt charities' (p.16). But it also created the need for these organisations to have some form of regulator if it was not to be simply the existing status quo. The effect was to fragment an already complicated system, but it was not fully implemented until 2014. (Tonkin, 2012). These changes added to an already complex system and required the Commission to issue guidance to the public with 'Starting up. Exempt Charities' (2012). This indicated which body was regulating which formerly exempt body. The change which was designed to improve an already intricate system had in retrospect created one in which rules and regulation and guidance were now even more disjointed.

### 2.6.2 Pluralistic logic

Pluralist logic adopts an alternative view. This assumes that individuals will work, not necessarily for themselves but for the community of which they are serving. It is democratic in outlook and is both inclusive, encompassing and represents a significantly wider governance perspective in which participation and decisions are developed by social inclusion and participation (Ridley-Duff, 2007). This developed within both the cooperative and not for

profit movement and has had 'a long historical progress' (Ridley-Duff, 2007, p.386). Indeed, the cooperative movement started in Europe in the 19<sup>th</sup> Century, but the modern form is considered to have been founded under the Rochdale Principles of 1844 (Williams, R, 2007). This saw a shift in the relationship between capital and labour and a move towards community (and therefore more democratic) ownership. Cornforth (2004) states 'the board's role under pluralist logic is thus political: to represent diversity of interests and balance stakeholder needs, to make policy, and to control management'. Yet the movement has been criticised for its lack of entrepreneurial ability (Cornforth, 1988), lack of inward investment (Vanek, 1977) and some poor (and damaging) political decisions in the 1970s (Turnbull, 1994; Whyte and Whyte, 1991). Whilst popular in mainland Europe, the cooperative sector has remained marginalised in the UK due to restrictive legislation (Ridley-Duff, 2007) together with the dominant counterculture of capitalism and the joint stock company. Coule (2004) states that 'people who hold a pluralist perspective see organisations as being constituted by diverse groups' (p.243) while Kraatz and Block (2008) develop this by suggesting that 'the single most important feature of the pluralistic organization may be its inchoate capacity to govern itself - and its parallel ability to develop a self which becomes the focal point of its governance efforts' (p.25). Coule (2015) looks to the trustee board in her consideration of pluralistic theory and comments that the 'board is composed of stakeholder representatives who focus on balancing stakeholder needs and making policy' (p.85). This pluralistic approach to governance attempts to 'focus on how specific stakeholder groups should exercise oversight and control over management' (Coule, 2015, p.85).

### 2.6.3 Principal-agent theory

This has its roots in the commercial sector and 'assumes that the owners of an enterprise (the principal) and those that manage it (the agent) will have different interests (Cornforth, 2004, p.14). Cornforth (2004) however doubts whether its application to the charity sector is appropriate. The central logic of principal-agent theory is unitary which as Coule (2015) explains indicates that 'everyone, employees, beneficiaries, and the wider community, will benefit from decisions made at a senior level' (p.77). Cornforth (2004) is not supportive of this and suggests that it is difficult to apply in the charity sector because there are no shareholders and therefore that role must be adopted by members. As profit generation is not the primary aim of a charity then the concept of a principal managing agents starts to

break down and Cornforth (2004) reasons that member boards would therefore find it difficult to influence managers under such circumstances. This is not a universally accepted view since Spear (2004) presents an alternative view that questions this. He advocates that, under principal-agent theory members in a charity structure will exert influence over agents (managers) due to its unique structure. He accepts that there is no profit motive but other personal advantages such as relative job security and improved working conditions can allow agents (managers) to flourish in a charity environment. Whilst this view is difficult to accept, agency theory is still a dominant and popular influence and it was Carman (2011) who discovered that 'more than one third of the non-profit organisations in this (his) study reported that they conducted evaluations for monitoring or compliance purposes, consistent with predictions of agency theory' (p.365).

There are alternative views particularly from Van Puyvelde et al (2012) who suggests that any theory of governance within the sector rather than being specifically one theory or another can sometimes be seen as an amalgamation of different theories. She develops a general view that suggests principal-agent theory could develop aspects of other theories such as stewardship, stakeholder or relationship and so become more nuanced and specific for the sector. She suggests that this complex variation could be possible given that within the sector there are always multiple groups who may be viewed as either principals or agents. 'Besides the manager and the owner, other actors can be involved in the activities of the non-profit organisation, such as volunteers, donors or clients' (p.432).

In conclusion, charity governance under a principal-agent framework is where conformance and safeguarding of organisational interest is to the fore. The board will control senior employees, as well as the CEO, to ensure that compliance issues are observed, and rules and controls are established with the expectation that they will be followed. In a hierarchical structure there will be upward accountability where staff will be responsible to managers, managers to the CEO and the CEO to the board. Whilst this may not be exclusively relevant for charities, it is still nevertheless popular particularly with trustees and academics (Wagner, 2014).



#### 2.6.4 Stewardship theory

Stewardship theory takes an altogether different view on the governance relationship and there is a synergy that has developed between the commercial and the charity sector. Commercially, there is still an interdependency between shareholders, managers, and directors but unlike agency theory, it is seen as one of cooperation, development and trust. Donaldson and Davis (1991) maintain that it builds on shared interests where groups cooperate and work together to achieve mutually beneficial goals for any organisation. It is viewed as altruistic in nature where managers are expected to be good stewards of resources and working not for themselves but for their establishment. It is a partnership approach based on unitary logic. The function of the board will not be to ensure managerial compliance or conformity as in agency theory, but the expectation is that they will steward the assets wisely, be they human, social, or financial with the aim being to achieve organisational objectives (Bernstein, Buse & Bilimoria, 2016). Cornforth (2004) signifies that 'the role of the board is primarily strategic, to work with management to add value to top decisions' (p.16). Coule (2015) considers that the 'relationship between board and staff (is) conducted through the Chair-CEO; there is sometimes Chair-CEO duality, and the role will be expected to draw together and develop both sides in a collaborative way' (p.85). This is deemed as essential, and Donaldson and Davis (1991) suggest that there can be no doubt as to where the responsibility lies. Yet this fundamental relationship creates one of the major drawbacks of the theory. Under charity law, stewarding assets (not just financial) is a legal requirement while under Company Law the language is more nuanced. The Companies Act 2006 states that directors should 'promote the success of the company' and 'exercise good judgement'. By comparison, the Charity Commission of England, and Wales 'Good Trustee Guide' (Gov.uk, 2021c) contains specific instructions on how trustees must act. An example given is that they must 'act in the best interest of the charity' with specific bullet points to indicate what is expected. Other instructions include to 'act with reasonable care and skill,' to 'manage your charity's resources responsibly' and 'to be accountable.' Given these aims, Sivertsen (1996) questions whether it is ever possible for boards to have the ability to work as a team. Whilst the theory is meant to be participatory and at variance to principal-agency theory, Sivertsen (1996) is concerned as regards the training and development of board members. 'Very often solid, earnest people with good judgement, but without the necessary background to make strategic decisions in the business world (occupy board roles)' (Sivertsen, 1996, p.35).

### 2.6.5 Stakeholder theory

Stakeholder theory takes a wider and broader perspective. Whilst agency and stewardship are built on unitarist logic, this is built on pluralism that has a 'democratic and process relational approach' (Coule, 2015. p.80). Hung (1998) sees it as 'based on the premise that organisations should be responsible to a range of groups (or stakeholders) in society other than just an organisation's owners or mandators' (p.106). Unlike other theories that consider how groups of individuals react to each other, stakeholder deliberately looks outside the charity board to a wider population. It tries to widen the remit of the board, but because of this, one of the drawbacks is that it also can be viewed as ethnocentric. Turnbull (1997) elaborates by stating that 'the essential ideas are derived from Western thought, with its perceptions and expectations of the respective roles of individual, enterprise and the state' (p.187). An example of stakeholder involvement is within education. Cornforth (2004) comments that 'state funded schools are required to have governing bodies made up of people appointed or elected from various groups, including parents' (p.17). The democratic nature of this with the desire to increase stakeholder participation, however, does not always work. Low take up rates by some groups together with poor representation of specific sectors can leave organisations failing to represent specific groups of members.

Stakeholder theory is based on pluralistic logic where stakeholders and trustees are presumed to have dissimilar interests where the board role is to try and balance these needs. It is both complex and involved with the focus on the stakeholder and management relationship. Effectively the board becomes populated with stakeholder representatives who make policy and control management.

### 2.6.6 Democratic theory

Democratic theory sees the charity boards main function as being to represent both the views and the ideas of the constituency that they serve. Like stakeholder, it is based on pluralist logic that according to Coule (2015) means 'organisational relations are conducted, and control of management is achieved by the (democratic) process through which decisions are made' (p.85). This can range from vested interests to specific projects. Cornforth (2004)

explains it as ‘the separation of elected members, who make policy, from the executive, who implement policy decisions’ (p.14). As the name implies, it is attempting to represent different visions and is popular with some charities and other non-profit groups. Boards regularly comprise of lay members who represent diverse groups or bodies via a democratic process. Hyndman and McDonnell (2009) state that ‘this may include board representation and a voice in determining both the objectives of the charity and the method by which they are attained’ (p.18). Here any member can, with the requisite backing, join a board and be part of the decision-making process but there is a temptation to view this as almost identical to stakeholder theory. Hyndman and McDonnell (2009, p.18) suggest that while they may appear similar, stakeholder takes a wider perspective than just members and can, and often does, include donors and other external stakeholders.

Governance under democratic theory effectively sees lay members being represented on the board. Control and management are achieved via the democratic process and a broad view of management is seen as essential. All strategic decisions would follow a strict process in which all (or a representative group of) members would be encouraged to participate and develop the organisation to achieve its stated objectives.

#### 2.6.7 Resource dependency theory

Resource dependency, as the name implies, concerns acquiring sufficient resources for the organisation to survive and prosper and this often centres on both financial and human assets. It states that organisations must engage with their chosen communities to acquire these resources. Carmen’s (2011) view is that this can be a difficult balancing act which may result in problems with funders and backers. He states that some organisations deliberately engage in ‘diversifying their revenue base so that they do not rely too much on one funding source’ (p.354). Part of this is to ensure that organisations ‘use evaluation or performance information to advertise and promote their activities and outcomes’ (2011, p.354) with the aim being to develop and encourage more funding from potential donors and stakeholders. Board members will be chosen because of their influence with key stakeholders (Cornforth, 2004) and their deemed ability to encourage more resources. Udayasankar (2008) is an

exponent of this theory and believes it represents a viable alternative when compared to principal-agent and other governance theories.

Here charity governance is characterised by the development of a range of assets sufficient for it to survive and prosper. The stakeholders and the organisation may sometimes have different interests which can sometimes collide but the primary objective, certainly for any charity, will be the development of sufficient resources for the achievement of their organisational objectives.

## 2.7 Main theoretical lens for research

The evidence above indicates the various theories relating to governance and shows that each has a specific view of what is relevant and important. From a research perspective, with so many available this can introduce complication into an already complex area. For this research, the aim has been to view this from the perspective of four specific theories namely unitary and pluralistic together with principal-agent and stakeholder. It was considered that whilst stewardship, resource dependency and democratic theory were relevant and of importance, it was however necessary to concentrate on a specific group to contextualise and consider the research questions and provide answers. The view was that by reviewing this group it would be possible to develop the thesis both within the time frame required as well as making the task more specific and concentrated.

## 2.8 Charity governance: what constitutes good?

The aim was to consider charity governance at an organisational level in respect of English and Scottish registered charities. Particularly, this looked at material that attempted to guide this from either a legislative or guidance perspective. Having established the main themes, the next stage was to consider how these develop the concept of 'good'. The two areas reviewed were:

- Legislation and regulation
- Guidance

## 2.9 Legislation and regulation

Charities have always been expected to adhere to relevant legislation and remain compliant. This was a basic belief but history suggests that these rules and regulations have both developed in detail and complexity over time. Morgan (2012) calls the Charities Act 1960 'a landmark' and is considered as the start of modern charity legislation. Since then, there has been a steady increase in charity legislation which has increased demands and expectations on trustees. Other legislative changes have seen, among other things, the development of the Charity Commission of England and Wales, a new Office of the Scottish Charity Regulator, new rules and instructions in respect of record keeping together with improved reporting and accounting requirements.

Research by Bird and Morgan-Jones (1981) indicates that at the time there were many inconsistencies and a wide variation in accounting treatment within the sector. Their research of 135 charities also showed a lack of consistency meaning that comparisons between charity groups was virtually impossible. They concluded that if left and this practice continued then there was the possibility of a major scandal that would damage the trust and reputation of the sector. Their concerns were taken up by the Accounting Standards Committee (ASC) who subsequently consulted widely which ultimately resulted in the first Statement of Recommended Practice (SORP 2) published in 1988. There were further revisions in 1995, 2000, 2005 and the current version from 2014.

The original document was an initial attempt to bring some consistency and clarity to charity accounts and to recognise that they were very different from their company counterparts. Over the various iterations the SORP has developed into an 'accounting and reporting' document adding different aspects of information that are now available to the public and stakeholders. Hyndman (2018) states that it is now 'providing a much greater emphasis on the need to report and explain a charity's 'performance' (p.249) indicating the wider remit that the document now has. Coule (2008) clarifies this by indicating that 'the SORP provides much detail about the sort of information it wishes to see in the trustees' annual report, particularly of a narrative nature' (p.23). She concludes that this type of information includes 'charity's objects, activities and achievements as well as a commentary on the financial

position of the charity' (p.23) indicating that it has developed into a much wider information document than its original emphasis.

The concept of charity accountability was further developed with the introduction of Public Benefit Reporting (PBR) which formed part of reforms introduced by the Charities Act 2006. The strength of the sector is derived from the assumption that ethical policies and procedures are adopted so that both the general public and other stakeholders can have confidence in the system. The Charities Act (2006) introduced for the first time a specific definition of charity but as Morgan and Fletcher (2013) state 'The definition of 'charity' applicable in England and Wales technically relates to the purposes of a charity rather than its activities' (p.808). The Act defined charity as falling under one of thirteen specific heads, but it also had to be deemed for 'the public benefit'. Unfortunately, the term was not defined and it was therefore left for the courts to determine. Finally, the Charities Act (2011) broadly accepted the view of the courts and it was finally included into legislation.

Morgan and Fletcher (2013) confirmed that public benefit was deemed to comprise of two principles. The first being that it had to be 'beneficial to society and second, that the benefit from the purpose must extend to a sufficiently broad section of the community' (p.809) with the intention being that charities were responsibly to the whole of society rather than specific sections of it. This development broadened the idea that charities had to be more open in their interaction with society and this led to the creation of PBR in the guise of the Trustee Annual Report. This was not the only expectation of trustees but it was the most significant and included not just accounts and reports but also achievements and activities which were all designed to make more information available to a wider section of the public. Morgan and Fletcher (2013) concluded that 'trustees (had) to explain to the readers of their annual reports and accounts how they understand the public benefit requirement in relation to their specific charity concerned, and how it is carried out in practice' (p.810).

Both the Statement of Recommended Practice (SORP) and the Trustee Annual Report (TAR) are examples of development that has taken place within the charity sector. These are just two of areas that have developed over time, sometimes within and sometimes outside charity

legislation but always with the principle aim of being to engender greater public trust and understanding of these organisations.

## 2.10 Guidance

Whilst charity legislation has concentrated on 'must and should' other material has played a more subtle role. Over the same period there has been the development of charity guidance publications from both regulators as well as individual interest groups. The two main publications reviewed in chapter four are the Charity Governance Code (Charity Governance Code Steering Group, 2017) developed by the National Council for Voluntary Organisations (NCVO) and the Charity Commission for England and Wales Guidance document CC3 (Charity Commission, 2003). Both provide information and guidance to trustees and other interested parties but these publications differ in tone and style. Unlike the legislation they are more encouraging and aspirational rather than the very strict legislative material considered earlier.

Document CC3 has been the main Charity Commission for England and Wales trustee guidance document and over time has been reviewed and updated. The opening line states 'This guidance explains the key duties of all trustees of charities in England and Wales, and what trustees need to do to carry out these duties competently' (p.2). It is a comprehensive review designed to provide help and assistance with the latest version being from 2018. The NCVO guidance is similar in tone and as well as being aspirational also encourages wider and specific aspects of good governance. Examples being board dynamics, risk assessments and management of resources. Here the opening paragraph sets the scene by assuming that charities are already legally compliant and that they have a desire to move forward in their development journey.

Teasdale (2012) in his analysis referred to the National Council of Voluntary Organisations (NCVO) and the Association of Chief Executives of Voluntary Organisations (ACEVO) as being umbrella groups for these organisations. Both write, publish, and advise extensively about governance issues. Dawson and Dunn (2006) state 'In recent years there has been an increasing debate on creating a code of practice for Not-for-Profit organisations' (p.34). This culminated in the publication of 'The Governance Hub Code' the following year which has since been refined and developed. This changed landscape has encouraged other academics

to consider these changes. 'The key issue is not whether VCOs (voluntary and charitable organisations) are able to adjust to the new competitive landscape, but whether they can adapt to it without compromising their core values and other qualities that distinguish them from organisations in the private and public sectors.' (Bruce and Chew, 2011, p.155). In a similar vein ACEVO produced '*Good Governance: A Code for the Voluntary and Community Sector*' in 2005 which according to Hyndman and McDonnell (2009) 'outlines key roles and responsibilities of boards' (p.22). Both NCVO and ACEVO have been prominent in giving governance advice to both chief executive officers (in the case of ACEVO) and trustees (in the case of NCVO). In chapter six this governance literature is analysed along with other charity material to gain an insight into what the current advice states. As indicated, various governance theories cover a wide spectrum and the concept of 'good' is a subjective view that is difficult to define. The aim is not to create a normative view of 'good' or 'bad' but to review what the guidance views and legislation is indicating. As Cornforth (2004) states, the dominant concept within the commercial sector is principal-agent. The question arising is that after all these changes, what governance advice are charitable organisations being encouraged to follow. In subsequent chapters these guidance documents will be reviewed in detail together with the relevant charity legislation.

### 2.11 Other indicators of 'good' governance

The aim of the research was to define 'good' governance and another aspect was the idea of social interaction and collaboration particularly between trustees. Cornforth (2004) provides a detailed critique of boards and governance relevant to the charity sector and whilst accepting that they highlight and expose the issues that all boards tend to face he nevertheless states 'these different theories are all rather one dimensional' (p.19). He considers that board problems are often complex and interrelated and it was therefore impossible to view them as one. Cornforth (2004) develops this with his 'paradox perspective' where he suggests that governance that concentrates purely on issues that are board related are frequently one dimensional in nature, concentrating on a single aspect of a boards work. His suggestion is that by integrating various aspects of different theories this could develop a more promising way forward for the concept of governance. This has attracted the interest of other academics, notably Hampden-Turner (1990) and Handy (1995) who both suggest that



it was inappropriate to view board problems from an either-or perspective but indicate that these needed to be considered as a paradox as discussed by Cornforth (2004).

Furthermore, Cornforth (2004) concentrates on the ambiguities that these established governance theories can create with the difference between agency theory and stewardship theory since they both adopt diametrically opposed concepts. Agency implies a control function between boards and managers whereas stewardship was more embracing and collaborative. Cornforth (2004) and Lewis (2000) both propose that boards problems are not always so easily divided and sometimes a partnership approach with managers was appropriate while at other times a more controlling approach was required. Spear, Cornforth, and Aiken (2009) indicate 'there is evidence to suggest it is becoming more difficult to recruit suitable board members in the third sector where most board members are volunteers' (p.255). To add perspective, a 'survey of charities in 2007 showed that 42% of those surveyed felt it was more difficult to recruit trustees' (p.256). Cornforth (2004) asks how, given this paradox, organisations are expected to manage appropriately, remain democratic, recruit the right calibre of member yet still achieve organisational objectives. All aspects that could be influential in determining aspects of good governance.

Cornforth (2004) highlights what he calls the 'conformance versus performance' issue. Agency theory concentrates on making sure rules are adopted and compliance developed whereas stewardship concentrates on adding value and achieving objectives. To achieve these ends, boards therefore are forced to adopt different approaches. Conformance tends to be passive with an attention to detail whereas performance requires knowledge, understanding and experience. This is often achieved through the employment of professional managers and according to Spear, Cornforth, and Aiken (2009) this may create a source of tension. They state that the 'complaint about boards in voluntary and non-profit organisations is that they often stray into management's territory and meddle in their affairs (p.258). This can cause disputes which Michels (1949) calls the 'Iron Law of Oligarchy'. Cornforth (2004) states that such governance relates to the different needs and interests between different groups within the organisation while Coule (2015) says that it 'is built on the premise that organisation actors and the public have different interests' (p.79).

What this suggested was that governance, and particularly good governance, was both complex and involved. Whilst adhering to rules and regulations was important, to be aware that other factors would also have a bearing on these issues. Examples as indicated include relationship with staff and other stakeholders as well as the interpersonal relationships and the functioning of these groups, particularly boards. Carmel & Harlock (2008) state that ‘such governance practices are likely to be negotiated, compromised and often messy in application’ (p.167).

Still with the relevance of boards, Kearns (1996) looked at the topic from a different perspective and reviewed four dimensions of what were considered to be indicators of good governance. These included legal, anticipatory, negotiated, and discretionary actions. Legal was complying with legal requirement, negotiated was defined as responding to stakeholders demands while discretionary was a wider topic considering, among other things, the judgement of leaders. Anticipatory covered future expected risks and other aspects such as advocacy. Kearns (1996) claims that most boards aiming for good governance deal with the first two but miss the remainder. Research by Behn (2001) looking at compliance issues included factors such as finance, fairness, and performance with the suggestion that ‘good’ governance was achieved when all these ideas were adopted. This form of governance is indicative of a ‘tick box’ approach in which compliance and regulation is seen as a specific and highly prescriptive action.

To draw all this together, there is a summary below of the various relevant theories with their orientation being indicated in column two and the implications for good governance in column three.

*Table 1. Theory and implications for good governance.*

<b>Theory</b>	<b>Unitary (Narrow) or Pluralist (Broad) Orientation?</b>	<b>Implications for Good Governance</b>	<b>Sources</b>
Principal-Agent	Unitary	<ul style="list-style-type: none"> <li>• Function of Board is control.</li> <li>• Monitor managers.</li> <li>• Check and monitor function.</li> </ul>	Turnbull (1997) Spear (2004)

		<ul style="list-style-type: none"> <li>• Understanding of guidance and legislation.</li> <li>• Compliance and conformance by Board.</li> <li>• Emphasis on techniques and performance.</li> </ul>	<p>Ostrower &amp; Stone (2006)</p> <p>Carver (2005)</p> <p>Keasey et al. (1997)</p> <p>Bogart (1995)</p> <p>Coule (2015)</p>
Stewardship	Unitary	<ul style="list-style-type: none"> <li>• Partnership approach.</li> <li>• Development of mutual trust and development.</li> <li>• Trained and knowledgeable trustees and senior staff.</li> <li>• Chief Executive plays pivotal role.</li> <li>• Ensure compliance.</li> <li>• Aim to improve organisational performance.</li> <li>• Emphasis on techniques and performance.</li> </ul>	<p>Donaldson and Davis (1991)</p> <p>Cornforth (2004)</p> <p>Ostrower &amp; Stone (2006)</p> <p>Brudney &amp; Murray (1998)</p> <p>Muth and Donaldson (1998)</p> <p>Hung (1998)</p> <p>Kirkland (1994)</p> <p>Block (1998)</p> <p>Caers et al (2006)</p> <p>Dicke (2002)</p> <p>Donaldson &amp; Davis (1991)</p>
Stakeholder	Pluralistic	<ul style="list-style-type: none"> <li>• Development of stakeholder involvement and training. Also include donors and other stakeholders.</li> <li>• Maintenance of democratic process</li> <li>• Balancing group needs.</li> <li>• Board diversity and shared leadership.</li> <li>• Group cooperation</li> </ul>	<p>Hung (1998)</p> <p>Turnbull (1997)</p> <p>Coule (2004)</p> <p>Hyndman and McDonnell (2009)</p> <p>Bradshaw, Murray, &amp; Wolpin (1992)</p> <p>Turnbull (2002)</p> <p>Braithwaite (1997)</p> <p>Diermeier &amp; Myerson (1999)</p> <p>Persson, Roland &amp; Tabellini (1996)</p> <p>Givens (1991)</p> <p>Ridley-Duff (2004)</p>

			Chell (2007)
Democratic	Pluralistic	<ul style="list-style-type: none"> <li>• Stakeholders fairly represented.</li> <li>• Remain democratic to achieve objectives.</li> <li>• Develop policy.</li> <li>• Balancing group needs.</li> <li>• Control via democratic process.</li> <li>• Negotiated and shared leadership.</li> </ul>	Spear (2004) Vinten (2001) Watson (2006) Turnbull (2002) Braithwaite (1997) Diermeier & Myerson (1999) Persson, Roland & Tabellini (1996) Givens (1991) Dunbar (1993) Ridley-Duff (2004) Chell (2007)
Resource Dependency	Pluralistic	<ul style="list-style-type: none"> <li>• Board creates links.</li> <li>• Emphasis on maintaining good relations and flow of resources.</li> <li>• Trustees need experience, contacts, and skill to manage these resources.</li> <li>• Balancing group needs and policy.</li> <li>• Shared leadership.</li> </ul>	Miller-Millesen (2003) Hillman and Dalziel (2003) Turnbull (2002)) Diermeier & Myerson (1999) Persson, Roland & Tabellini (1996) Givens (1991) Dunbar (1993) Ridley-Duff (2004)

This section has shown that good governance has attracted much academic debate and a variety of different views and opinions have emerged. However, as shown by Cornforth (2004) good governance is not just about choosing the right academic theory but includes much wider topics often relating to how groups of individuals relate to each other. Mention was made as to how boards interact and the implications this has for charity governance (Cornforth, 2004). At the purist level it amounts to who is 'running the organisation' but this broadens out as to who is also responsible for other issues such as compliance and adherence. Who in the organisation is responsible for ensuring that the relevant documentation is completed and submitted on time to the appropriate group or department? The idea of adherence to specific rules and regulations also gives a nod to financial management and

control by making sure that the charity fulfils its function and objectives. This further leads to the idea of recruiting the right people who are then properly trained for their respective roles. So, what we have is a complex and multifaceted scenario of various aspects that combine to develop the concept of good governance. It is both complicated and involved and at this stage the evidence suggested that it was also difficult to define any one specific aspect that defines 'good'. The supposition being that a combination of all the aspects mentioned above would contribute in some form to the governance issue which in essence is the aim of this research.

### 2.12 Chapter summary

This chapter aimed to give an indication of the nature of governance and its development relevant to the charity sector. It commenced with a look at its history and then reviewed governance as a specific topic from a historical and developmental perspective. The main review considered the relevant governance theories and commenced with the high-level ones and then looked at other more general ones. This allowed for a review of what was 'good' governance as well as a review of the lens by which this research was conducted.

Chapter three will continue with a review the research methodology and a justification of the methods chosen.

### 3. Research methodology.

Chapter one considered the relevance of this doctoral study while chapter two reviewed the academic literature on governance relevant to it and added further information about the legislative context. As a reminder the research questions were as follows:

- How has the regulatory and guidance environment for English and Scottish registered charities evolved since 1960?
- How are charity boards responding to this environment and what effect has this had on their governance work?
- What implications do 1 and 2 hold for the way we understand 'good governance' in the regulatory era?

#### 3.1 Overview

This chapter justifies the research approach taken in line with the stated aims. It first reviews the researchers own ontological and epistemological views and then considers the research approach and philosophy together with the design methods considered appropriate. Comments from Burrell and Morgan (2016, p.ix) are pertinent. They state, 'In order to understand alternative points of view it is important that a theorist be fully aware of the assumptions upon which his own perspective is based.'

#### 3.2 Initial thoughts

Johnson and Duberley (2000) note that all forms of research are based on the ontological and the epistemological commitments of the researcher. This is a major part of any study since the two are always going to be linked and impossible to be viewed separately. Coule (2008) states that 'unexamined epistemological (and subsequent methodological) commitments whilst remaining unaware of their origins is intellectually irresponsible and leads to poor research practices' (p.70). Furthermore, 'The different assumptions regarding ontology and human nature pose interesting and often contentious problems of epistemology' (p.69). More than any other, this comment has been influential, making me conscious of:

- a) the impact one has on the other and
- b) my considered view in respect of the appropriate research methodology.

Before deciding on this, it was appropriate to consider my own personal views and it was here that Johnson and Duberley (2000) were influential. In their research they started from a positivist perspective and then proceeded to explore three counter-perspectives before they arrived at what they considered to be the most appropriate methodology for their own research. Given my exposure to positivist views, I was conscious of their problems and could relate to them. Furthermore, Coule (2008) states that 'the dominant (positivistic) methods and modes of engagement become increasingly unsatisfactory and inappropriate'. She concurs that this is due to the 'researchers who move away from the ontological assumption that the world is a concrete structure and embrace the concept that human beings, far from merely responding to the social world, may actually contribute to its creation' (p.70). This is not recognised by all researchers and there is still discussion regarding the quantitative versus qualitative deliberation. Fraenkel (1995) posits that the two should be viewed as a continuum and not be viewed as 'an acrimonious debate' (p.120). Bevelas (1995) shares similar views and concludes that 'blending qualitative and quantitative methods of research can produce a final product which can highlight the significant contributions of both'. This is tempered, however, with an awareness that 'It is almost heretical in some institutions to suggest that quantitative research is a legitimate domain for understanding.' It is Coule (2008) who considers that, 'the line between qualitative and quantitative is less distinct than is sometimes presented' (p.73). She further indicates that 'researchers produce knowledge within a particular epistemology and, as a result, methodological and epistemological questions are inextricably linked' (2008, p.72).

There are three issues to consider in terms of this research are:

1. What is knowable? Ontology.
2. What is the researcher's relationship with what is known? Epistemology.
3. What research methods will be used? Methodology.

### 3.3 Research approach.

With personal knowledge and experience of the charity sector, it was felt that objective facts along positivistic lines would lead this research. Johnson and Duberley (2000) states 'a quick scan of the majority of management journals, particularly those from the USA, provides clear

examples of positivist assumptions' (p.39). With such an influence it followed and seemed appropriate that, this research would be along these very narrow and objectivist lines. Yet the review and conceptual analysis of the ontological and epistemological views set in motion a personal review journey that consisted of abstract thoughts which started to overwhelm these well-established and entrenched views.

Burrell and Morgan (1979) view the social world as being made up of solid, granular and unchanging 'things', such as family, religion and the economy. Structures that are 'as is' and therefore are unchanging. It is represented ontologically by order where things are real with facts, numbers and law like generalisations.

This research included an examination of legislation and other documentation which was considered from an objective perspective. This was both factual and written down whereby a personal background in charity finance and audit had shaped these views. This nature of reality equates with Burrell and Morgan (1979) who consider that the 'world exists independently and externally to any individual perception'. But these ontological problems become more intense and involved when reflecting on the views and thoughts of the trustee participants. This was less well defined, less solid and more subjective dealing with individual views, thoughts and comments.

In respect of this research and the involvement of human subjects, there was an awareness that they experienced life and work in diverse ways and not from the pure clinical process echoed by positivism. The expectation was that they considered differences between human subjects in terms of social implications like actors in a play (Saunders et al, 2008) with an aim to interpret social roles in accordance with the meanings developed. The pure clinical and scientific aspect of positivism was rejected for a more nuanced shared and social approach.

The research approach was therefore one of an objective ontological position from the researcher's perspective but given the comments above there was also an awareness of the subjective views of the participants. Having established this position this allowed for the research to move forward and to develop. To clarify, the methodology was based on an



objective view while acknowledging the subjective epistemological perspective adopted by the research subjects.

Furthermore, as part of the consideration of the strategy there was an awareness of both postmodernism and critical theory as research philosophies. However, given the subjective nature of their epistemology they were counted as inappropriate methods for this thesis.

### 3.4 Neo-empiricism

It was decided that the most appropriate methodology for this research was that of neo-empiricism. This accepts the philosophical standpoints of positivism and accepts that qualitative interview data can be both real as well as reliable. Johnson, Buehring, Cassell & Symon (2006) state that such an approach will 'construe the passivity and neutrality of the researcher as a separation of the knower researcher from his/her inductive descriptions of other actors' inter-subjective cultural experiences which await discovery' (p.138). Alvesson & Deetz (2000) depict it as 'consensus-oriented research (to) gain an understanding of how social actors make sense of their social world and in so doing develop theoretical understanding of the social relationships'. It is inductive and qualitative based research. Prasad and Prasad (2002) describe it as 'qualitative positivism' because 'researchers use non-quantitative methods within positivistic assumptions' (p.6).

The second research question aimed at considering the reactions of trustees and others to governance issues to assess aspects of good governance. Johnson, Buehring, Cassell & Symon (2006) state that it is 'an array of qualitative methods to develop inductively thick descriptions of the patterns in the inter-subjective meanings that actors use to make sense of their everyday worlds' (p.139). Alvesson and Deetz (2000) determined that neo-empiricist researchers are those 'who assume the possibility of the unbiased and objective collection of qualitative empirical data' (p.60-74). As a classification 'Neo-empiricist researchers are concerned with accessing the research respondents' subjective logics to explain behaviour' (p.113).

The philosophical model of neo-empiricism is closely allied to positivism and Johnson and Duberley (2000) consider that such philosophy assumes the researcher to be 'independent of

what is being observed. The observer can therefore stand back and observe the world objectively' (p.40) which then allows rules and theories to develop. This may be seen as too simplistic as within the field of human behaviour rules and assumptions are not always possible where human interaction takes place. Yet this idea was not without its critics much of which focusses on the ability or otherwise, of subjective detachment. Johnson, Buehring, Cassell & Symon (2006, p.139) claim that because small samples are used in such research then 'the qualitative researcher can rarely make claims about the setting's representativeness of a wider population'. These tensions are real but the view is that humans experience life and work in different social ways and therefore neo-empiricism can be more accepting of these considerations. Given concerns as regards appropriate research paradigms, neo-empiricism, despite its obvious flaws does provide an appropriate research methodology for this study and aligns with the stated ontological and epistemological viewpoint.

### 3.5 Research strategy.

These developed views drive this strategy and this personal research journey has been influenced and made easier by Saunders Lewis and Thornhill (2012). Their diagram of the understanding and logic behind research known as the 'research onion' considered in a diagrammatical format the various stages of the process starting from the 'outside' with philosophical views and working inward towards the final process of data collection and analysis. Guba and Lincoln (1994) believe that research does not just consist of insight gained, methods used or even conclusions developed. They consider that the entire process must be viewed from the beginning to the end as a complete paradigm. The evidence indicated that from a personal perspective there had been a degree of uncertainty and concern as to the direction to be followed. As stated much of this had been driven by earlier influences relevant to the world of work as well as previous academic research. Yet having considered and decided on the appropriate research philosophy there was still concern as to the direction and development that it would take. These concerns were to an extent made easier by the discovery and understanding of this work.

### 3.6 Philosophy and Approaches

Neo-empiricism is a distinct interpretivist mode of engagement with qualitative methods and was the chosen research method for this study in which an inductive logic approach was adopted. Frequently called inductive reasoning (Locke, 2007; Sutton & Straw, 1995) the objective was to look for patterns within the empirical data to build theories and develop generalisations within the research (McAbee, Landis and Burke, 2017). Lodico, Spaulding & Voegtle (2010) consider this to be 'a bottom-up approach to knowing, in which the researcher uses observations to build an abstraction or to describe a picture of the phenomenon that is being studied' (p.10). Bryman (2016) states that the researcher should 'see through the eyes of the participants' (p.392). The strength of this approach is that observation and awareness allow for a building and understanding of the complex social interactions which allows for the development of relevant theories. In simplistic terms, it is an attempt to understand the actions of people within different social situations and ties in with the swamp metaphor developed by Schon (1995) whereby individuals and how they react was both messy, uncontrolled and unpredictable. The risk that was present, was that large volumes of data does not always mean a new concept will emerge. Furthermore, the inductive approach was more time consuming than its deductive counterpart yet despite this, it was considered that this was the most appropriate method for this research to proceed.

### 3.7 Data extraction and strategy

This stage looked to the strategy designed to extract the relevant data in accordance with the established parameters and objectives. They were twofold and consisted of:

1. A content analysis of the existing legislative and regulatory analysis together with relevant guidance documentation.
2. A round of interviews, no more than 12, to assess the results of the above.

The proposed field data process was as follows:

1. Phase one. Content analysis.
2. Phase two. Interviews.
3. Phase three. Analysis phase together with inductive theory building.

Evidence suggested that since the 1990s both charity legislation and regulation had increased in volume (Brown, 2007; Dawson and Dunn, 2006; Gazley & Nicholson-Crotty, 2018). Allied to this, as shown in chapter two, a significant amount of academic research had attempted to define and review governance, particularly good governance. The hypothesis was that more legislation combined with increased regulation would equate to improved performance. There were a variety of issues driving this desire emanating from both central government, stakeholders, and the general public.

In phase one of the field data, the content analysis reviewed both legislation and guidance material to understand their stance on governance issues. Although primary legislation was one of the principal areas of interest in this study, other publications required consideration and included documents developed by the National Council for Voluntary Organisations (NCVO) and the Charity Commission. There was some anecdotal evidence to suggest that there has been a move towards greater self-regulation and therefore these publications needed to be considered.

Content analysis is a proven method of analysing written, verbal or visual communication messages (Cole 1988) while Krippendorff (1980) states that it is a flexible way of analysing data that can be used either quantitatively or qualitatively. Finfgeld-Connett (2013) looks to the quality of data retrieved and contends this is achieved through 'coding raw data into conceptually congruent categories' (p.342). Yet the concept is flexible enough to be used in a deductive or inductive way depending on the purpose of the study (Elo & Kyngäs, 2008). Therefore, a qualitative research approach was deemed appropriate for this study although there was an awareness of the comments and views of Lincoln and Gubba (1985) in respect of trustworthiness. The aim was to analyse from an inductive perspective and consider the way expectations and demands on trustees have changed over a specified period. This was from 1960 and covered the first research question. The review started with no preconceptions with the aim being to build the analysis by studying raw data and make inferences from it. This encompassed various epistemological and ontological views, and this inductive approach allowed this to develop and grow within the study. Successful content analysis was dependent upon a thorough coding structure as substantial amounts of data were required to be synthesised into appropriate units where ideas and concepts were

eventually established. The data development, the analysis and the coding were to be managed using NVivo software which was considered appropriate for this type of research. Briefly, the following stages were followed.

1. Planning. Given that this was a review of objective facts (primary legislation and regulation) there was no problem of having to interpret subjective views and the comments of human subjects. From a broad remit, the aim was to develop an understanding of what changes had occurred over the period. Then, it was to understand these expectations with the intention to develop themes and phrases pertinent to the research question. The raw data was split into specific units that reflected what the legislation and regulation revealed about aspects of good governance. Elo and Kyngäs (2008) call this the preparation stage but warn ‘the key feature of all content analysis is that the many words of the text are classified into much smaller content categories’ (2008, p.109).
2. Valid and relevant. Erlingsson and Brysiewicz (2017) call these groups the ‘meaning units’ and suggest these need to be condensed further to ensure that the information is specific and that the contextual elements of what is being revealed are not lost. This allows a feel to be gained for what is being produced and to learn effectively ‘what was going on’ before being broken down into smaller, more manageable units. The aim being to condense the data to allow an understanding of the connections between these groups and understand what was being developed. There was a degree of subjectivity in this approach and the data did require to be re-examined to ensure that nothing significant was lost at the condensing and coding stage. Erlingsson and Brysiewicz (2017) state ‘you may adjust, re-do, re-think, and re-code until you get to the point where you are satisfied that your choices are reasonable’ (p.96).
3. Categories and themes. Here the richness of the process started to become clear, and an understanding of the data and the developing ideas became evident. Some codes had overlapping data which needed to be combined and

drawn together and some hard to define data required some conceptual input. The overall aim was to understand the issues that had developed through the documentation to those actions that relate to good governance.

The developed codes indicated what the data relevant to the legislation had revealed about governance together with the expectations of both boards and trustees. However, Elo and Kyngäs (2008, p.113) sound a warning. 'There are no simple guidelines for data analysis: each inquiry is distinctive, and the results depend on the skills, insights, analytic abilities and style of the investigator.' Furthermore, 'one challenge of content analysis is the fact that it is very flexible and there is no simple, right way of doing it' (p.113).

This review included the two Charity Acts 2006 and 2011, the Charities (Protection and Social Investment) Act 2016 and other charity specific legislation that had been enacted since 1960. The regulatory search specifically included guidance document CC3 from the Charity Commission as well as the longer Charity Governance Code which although developed by the National Council for Voluntary Organisations (NCVO) was fully supported by the Charity Commission for England and Wales. All of these were online.

Content analysis, as a research tool, has the advantage that 'large volumes of textual data and different textual sources could be dealt with and used in corroborating evidence' (Elo and Kyngäs, 2008, p.114). The disadvantages are that it may 'relate to research questions that are ambiguous or too extensive. In addition, excessive interpretation on the part of the researcher poses a threat to content analysis.' As a qualitative tool it is an appropriate method to use and can produce data that gives an insight into the expectations and demands on trustees and boards particularly in respect of governance, especially good governance.

The data was collected and analysed via NVivo software which allowed for the main concepts to be developed. It was possible to develop these into themes from within the software architecture but the preferred option was to develop these through Microsoft Excel where the analysis tools allowed for the data to be more easily manipulated. The resulting developed themes were then included within this research and the aim of the content analysis was to identify some of the themes that later informed the trustee interviews.

### 3.8 Data collection

The study was conducted with ten charities over two sessions resulting in thirteen interviews with eleven trustees. Table 2 gives details of the size and income of the charities included within this research and the original aim was to also interview charity managers and some employed individuals. However, because of the coronavirus pandemic and the national lockdown this proved difficult to organise. The trustees had been approached before the lockdown whereas managers hadn't and because of the closures this proved impossible to organise. The research interviews followed a semi structured approach with the participants being asked the same questions in the same order and these are reproduced in full in appendix 1. These were constructed from analysis of the relevant issues as developed in the literature review. The aim was to be consistent with the methodology, and it was also designed to allow participant experiences to drive the analysis and therefore allow concepts to develop as the research progressed. All the interviews started with a general question specifically relating to their understanding of governance. This was followed with further general questions relating to their own charity, the aim being to understand and develop a knowledge of their organisational set up. An in-depth assessment of the organisation had already taken place from publicly available information but these opening questions allowed for a greater understanding of trustees' relationships and organisational structure to develop. It also achieved the objective of allowing for any nervousness on behalf of the participant to dissipate. By using this approach, the aim was to progress themes and concepts which could then be developed further within the interview itself. This allowed for ideas to formulate and mature within the process and allowed a picture to emerge. Horn (2012) states 'Interviews are predominantly about listening, and you must develop the skills of active listening' (p.119). He also mentioned body language in terms of posture, eye contact and hand movements (p.120) which under normal circumstances would have been important but given that all these interviews were conducted online it was impossible for normal circumstances to apply. As a researcher there was an awareness of the established methodology of asking short open questions and allowing these themes to develop naturally which was achieved despite the unusual circumstances. The group size and the number of participants was always going to be a difficult concept to decide and advice from other researchers varies. The consideration was that, given the stated earlier parameters, eleven trustees with thirteen interviews was about right for a thesis of this size. Nevertheless, Kitzinger & Barbour (1999) would consider this as

too many and unwieldy while Morgan (1998) recommends a much smaller group. Although his view is based on focus groups it was centred on the premise that people and groups often have much to say particularly when they engage enthusiastically and this was true with some of these participants.

Each interview lasted around an hour and from the audio time stamp it was possible to deduce that there was over thirteen hours of appropriate material. These files were immediately transcribed after the interview via Microsoft Office 365 and for accuracy the transcript was then checked against the recorded audio file. The aim was to ensure that none of the content or the nuances were lost and that the accuracy was maintained. Because of this it was not felt necessary to send the transcript to the participant for checking. At the review stage of the study, further clarification analysis was required, and two trustees were interviewed again with follow up questions. On completion, it was considered that sufficient additional data had been collected.

### 3.9 Data sampling

Sampling, how much and how many, is a recognised problem and Randolph (2009) states that 'sampling is far from fool proof' and 'perhaps (a) more certain approach is to gather evidence that demonstrates that the representative sample is representative. The most sound approach may be to do both' (p.4). Clearly, Horsfall and Hayter (2014) add to this and suggest that it is 'important that qualitative researchers justify their sample size on the grounds of quality data' (p.473). Excessive numbers will create problems. 'It is not uncommon to see papers that report a sample of 20, but on close inspection data are presented from less than half of the sample – did the others not say anything?' (Cleary, Horsfall and Hayter 2014). They also assert that it needs to have 'breadth, depth and scope' (p.473) while Paton (1990) simply asks 'Who is the information for and who will use the findings?' and 'What kinds of information are needed?' (p.197)

One of the principal concerns at the start of this thesis was how many charities to include and how many participants to interview. There was an awareness that within any strategy there is always going to be an element of subjective assessment. Klussman (2013) is succinct in his comment that sampling is 'in general necessary because a large population would require a



long period of time to deal with, which could exceed the limits of doctoral research' (p.80). Horn (2012) provides guidance as to what he considers are the various appropriate methods. These range from simple random and multistage methods through to opportunity and purposeful sampling together with his comments on their advantages and disadvantages (p.105 – 106). After consideration it was decided that for this thesis the latter was the most appropriate method since purposeful sampling 'is a non-probability method in which the selected cases are related to the purpose of the study' (p.106). It was felt that this would allow for a structured sample to be developed (rather than a random one) with the obvious aim of answering the relevant research questions. Kuzel (1992) is of the view that by using this method it allows the researcher to achieve the thesis objectives.

Any research strategy will have a subjective element to it and how many interviews to conduct is always open to conjecture. In this research it was felt that saturation had been reached when the topics being developed started to become consistent with little evidence of new topics emerging. From an academic perspective, the number of interviews was originally eleven but was increased to thirteen to clarify certain aspects and at this point, in consultation with my supervisors, it was considered that saturation had been reached and it was felt that further interviews would produce little relevant additional data. With this concept established, the aim was then to find a mix of large and small charities as measured by their stated income together with the necessary trustees and chairs.

### 3.10 Table protocols and procedures

The research methodology used for this thesis ensured a large volume of data was generated from both the content analysis and the interviews. To manage this effectively and in order to generate relevant tables use was made of both NVivo and Microsoft Excel. The use of data analysis procedures within this software ensured accurate and relevant tables were produced. Excel was also used for basic data analysis to produce tables like that discussed below.

For table 2 (below) , the data was derived and developed from several sources with the main one being the Charity Commission website. The aim being to provide basic data relevant to the charities that formed part of this research with the intention to give the reader an all-

round view of these organisations. It was possible to discover when they were first registered and therefore the years they had been in existence. Further current information available was the number of trustees on the board and finally their listing and clarification. This was then documented within the relevant spreadsheet and developed into table 2.

*Table 2. Charity income and other details.*

<b>Alias</b>	<b>Income</b>	<b>Registered</b>	<b>Years</b>	<b>Trustees</b>	<b>Listing</b>
Elderly 1	£117,126	05-Sep-74	47	12	Aged - elderly care and welfare
Elderly 2	£1,470,591	18-Sep-46	75	10	Aged - elderly care and welfare
Children 1	£117,602,000	01-Apr-63	58	17	Children and Youth
Education 1	£1,537	31-Mar-98	23	9	Education and training
Education 2	£363,055	09-Mar-07	14	7	Education and training
Rights 1	£51,782	02-May-17	4	9	Human rights - refugees
Rights 2	£51,782	02-May-17	4	9	Human rights - refugees
Social 1	£0	24-Sep-20	1	4	Social welfare
Visual 1	£122,200,000	08-Nov-62	58	17	Visual Impairments
Visual 2	£95,932,000	21-Mar-63	58	11	Visual Impairments
Visual 3	£846,105	10-Feb-03	18	6	Visual Impairments

It was considered that a sample group based on income levels would provide the necessary quality data to be valid for this research. The sample ranged from small charities with relatively little income through to medium and large ones with considerable funding. Other sampling problems included the worldwide pandemic which closed most of society after March 2020. As this research also looks at Scottish regulation, a charity registered with the Office of the Scottish Charity Regulator has been included and whilst more would have been appropriate the situation at the time made this impossible to organise.

### 3.11 Charity details:

**Elderly 1:** A small charity (based in the East of England) which had been registered for over 50 years. Its objectives were elderly care and welfare within a specific geographical area. It was established by an altruistic employer and was in its early years, strongly associated with a well-known and respected electronics company. This company ceased trading in the 1970s (although the brand still exists) but during its lifetime substantial funds were invested in the charity fund. Income was derived solely from these investments and a few minor donations. It has a board of twelve trustees who met regularly.

**Elderly 2:** Another group with aged and elderly care objectives, which had significant funding and resources with its income currently more than £1m pa. Based in Scotland, it was registered shortly after the end of the Second World War and like many other charities was known and respected within a specific geographical region. Prior to the pandemic it ran several drop-in centres which were part of the community in which it served but this ceased by the time of this study. Despite its size and development, it had endured significant structural problems some of which became apparent during this study.

**Children 1:** This is another well-known and established organisation that had a wide profile. Income was more than £100m pa and its objectives concentrated on children and youth care. It had been registered and established for over 50 years but recently there had been tensions on the board due to several regulatory issues that had now resolved. It had a large trustee body with more than 15 people.

**Education 1:** This charity had organisational objectives that concentrated on education and training particularly in the workplace and more especially about employee safety. It's area of operation was geographically based, and it was also part of a larger not-for-profit group. It was a registered charity, as was the larger group, so it was effectively a charity within a charity. This structure had led to a complicated and occasionally difficult relationship with its London based head office. At the review phase it became evident that sometimes this brought the group into conflict over issues which the local group felt were either inappropriate or spurious. The board consisted of nine trustees.

**Education 2:** This charity had income of less than £500,000 pa and was also involved in education and training, but unlike the previous group, their objectives concerned children and young people. It was less than fifteen years old and was founded to help and encourage disadvantaged young people to apply for university. This had been achieved by working with partner organisations and targeting specific postcode areas of social deprivation. Their objectives ran parallel to current government policy in respect of equality and diversity and access to education.

**Rights 1 and Rights 2:** This was the same group in which two trustees were interviewed. One was the current chair and founder whereas the second was the deputy chair and advisor. The group's objectives were human rights issues in respect of asylum seekers within a specific geographical area. It was a young charity having been registered for just four years and its funding was grant aided. It had a loose affiliation with similar groups, with similar objectives, working within other geographical locations and its board consisted of nine trustees.

**Social 1:** This organisation dealt with social welfare issues based in London. It had only just been awarded charitable status (within the last three months prior to interview) and prior to that it was operating as an unincorporated body. Achieving charitable status proved challenging and there were problems with the Charity Commission who had concerns over political objectives within their constitution. It had four trustees and at the time of interview, no income.

**Visual 1:** This was a national, well-known, visual impairment charity with income more than £120m pa. It had been registered and established for over 50 years and had a trustee board of seventeen trustees. This was the largest group within this study.

**Visual 2:** Another visual impairment charity on a similar scale to charity Visual 1 with an annual income less than £100m pa. The interview timing was pertinent since the trustees had been involved in a well-publicised regulatory issue which caused tensions within the board. There was evidence that this has been a source of much concern and friction.

**Visual 3:** The final charity was also involved with visual impairment but on a much smaller scale than the previous two. This was well-established with a specific geographical base and six trustees. It had been registered for less than 20 years.

### 3.12 Data analysis

A General Inductive Approach was used which is one of several accepted analytical procedures. Considered to be simple and effective, Thomas (2006) states this 'is a systematic procedure for analysing qualitative data in which the procedure is likely to be guided by specific evaluation objectives' (p.238). Qualitative analysis is a valid research paradigm but requires to be conducted in a rigorous and consistent manner, in order to produce valid findings. Lincoln and Gubba (1985) devised Evaluative Criteria was considered appropriate here as a reminder of what is required to gain confidence and trust in qualitative data. As both these protocols were adopted then it is reasonable to assume that that the development of trust was achieved within the group.

Like content analysis, the General Inductive Approach, condenses raw data and establishes links which allows a general analysis framework to develop. Cresswell (2002) suggests that it should start with an initial reading of the text data then identify specific segments that relate to the research objectives. From this he posits that it is possible to create categories from the segments to develop concepts and then check for redundancy and overlaps. Finally, a model of the main concepts will develop from the data which allows for accurate and detailed analysis to emerge. Thomas (2016) states that this method 'provides an easily used and systematic set of procedures for analysing qualitative data that can produce reliable and valid findings' (p.237). He considers it an easy and effortless way to categorise qualitative data but is aware that a new and inexperienced researcher may find themselves overwhelmed by the volume of data produced. His approach has three main purposes:

1. To condense raw data into a summary format.
2. To establish links between research objectives and findings, and
3. To develop a model of good governance based on these findings.

Thomas (2016) is aware of its limitations and speculates that other researchers may have similar views and misgivings. However, he concludes that 'although the inductive approach is not as strong as some other approaches in theory or model development, it does provide a simple, straight forward approach for deriving findings linked to focused evaluation questions' (p.246).

### 3.13 Ethical review and approval

Having used the work of Saunders Lewis and Thornhill (2012) as a template, there were still several other research issues to be considered in respect of this methodology. The first being the ethical review which by this stage had already been approved.

All participants received an initial information pack explaining the aims of the thesis and informed consent was required as per Sheffield Hallam University's research ethics policy. Confidentiality issues in respect of the data collected and the security surrounding it were explained to ensure confidence in the process and to ensure correct procedures were adhered to. These allowed the participants to speak freely and without fear of their comments and views being made known. Finally, they had the opportunity to receive a copy of the final report if they so wished. Participant consent forms and information sheets were supplied to all and they were advised that they could withdraw from the research at any time together with an indication as to how their data was stored and eventually securely destroyed. Appendix 3 relates to the information sheet and appendix 4 relates to the consent form.

### 3.14 Material analysis

Having completed the data gathering exercise, the next stage was to order this material and conduct an analysis to try and answer the relevant research question. Horn (2009) states 'dealing with large amounts of data in a structured and efficient manner can be difficult' (p.146). This proved to be an insightful comment since the methodology chosen created a substantial amount of data which at the start of the analysis created various problems. The decision had been taken to use the NVivo software and initially it was attempted to establish a list of coding categories from within the data. My inexperience of using this program created

problems and whilst it was possible to synthesise the data into broad categories it still proved difficult to develop into the granularity required. This left a large amount of half-developed information which proved troublesome to take forward. My practitioner knowledge and experience meant that there was a good understanding of the complexities of Microsoft Excel and knew that it was feasible to make use of its powerful analytical tools. It was therefore possible to download the half-developed data file which allowed progression to more manageable groups which ultimately allowed the relevant themes to emerge. Horn (2009) states 'analysing large amounts of open data can be problematic' and so it proved but he also states that 'with a little thought and a sound technique it need not be particularly troublesome' (p.149). The Excel software allowed analysis of the individual responses and then it was possible to attach a subject element to it. As shown in the screen shot reproduced in the appendix 2, this allowed a grid system to develop which developed many topics and it was then possible to synthesise these by a process of amalgamation and combination. Effectively it was a thematic analysis of the data. The next stage was then to review the frequency of each occurrence and arrive at a data set of the established detailed themes and these details are included in chapter five.

### 3.15 Chapter summary

The aim of this chapter has been to outline the research methodology and justify the methods chosen to answer the three research questions.

A review of my ontological and epistemological thinking was the first consideration which proved challenging given the knowledge and experience of working within the sector. The initial concern at the beginning caused apprehension but in retrospect it worked in a beneficial way. By having to consider and effectively confront head on, ingrained and entrenched thinking meant that any initial concerns were challenged at an early stage. The development and the review developed an awareness of these issues and the subsequent resolution provided for a more focussed methodology. The chapter review of ontology and epistemology allowed for a clear representation later.

The consideration of Johnson and Duberley's (2000) research matrix provided a useful understanding and awareness exercise of the different methods available. The review of the

different methodologies encompassed within the matrix meant it was possible to determine that the neo empiricist model was the most appropriate for this thesis.

The final stage looked at the proposed method of conducting the content analysis of both the legislation and the guidance documentation relevant to the research question. This was followed by a review of the interview process and an in-depth review of the charities selected.

Chapter four considers the content analysis of legislation and guidance material relevant to the research question. As regards legislation, five themes were developed. They comprised of issues relating to compliance, financial accountability, organisational transparency, fund-raising and public benefit requirement. The review of guidance material developed another seven which included trustee knowledge and experience (including training and development), board effectiveness, organisational performance and purpose, the role of the Chief Executive, diversity, leadership and risk. It was decided that in the analysis section that the theme relating to the Chief Executive and the leadership theme were combined for ease of analysis since it was also felt that there was a degree of synergy between the two.

Chapter five then considers the trustee interviews in line with the second research question which is then developed further in chapter six with the conclusions and considerations developed with a final review in chapter seven.



#### 4. Regulation and Guidance - findings and results.

The aim of this study was to consider the English and Scottish charity sector and investigate what constitutes good governance. Chapter one detailed the three research questions while chapters two and three have considered both the relevant literature and the proposed methodology. The aim within this chapter was to consider the first research question, namely:

- How has the regulatory and guidance environment for English and Scottish registered charities evolved since 1960?

Over the last 50 years a substantial number of changes have occurred within the legal and regulatory environment relating to the sector whilst during the same period, guidance documentation has developed in parallel. This chapter considered and reviewed these changes to try and reflect on what constitutes good governance.

Chapter three reviewed the most appropriate way for this to be achieved within the developed research methodology and a specific content analysis was agreed upon. As the research question indicated, the aim was to consider the changes that have occurred 'over time' and it was considered that the most appropriate date to start with was with the Charities Act 1960. This received the Royal Assent in July of that year and was the first specific and detailed charity legislation of the modern era. Prior to this there had been a combination of various statutes which dealt with aspects of charity law, most notably in respect of trusts and these had developed piecemeal over time.

The first part of this chapter reviewed this Act which was then followed by the Charities Act 1985 and then the Charities Act 1992 & 1993. Later the emphasis was on the 2006 and 2011 Charities Acts with the latter being the current applicable version. The 2011 Act was an attempt to simplify the statutory process by bringing all the numerous charity rules under one single statute. In addition the Charities (Protection and Social Investment) Act 2016 was also reviewed as it contained legislation in respect of fund-raising and other aspects pertinent to the sector. The Charities Act 2022, which received the Royal Assent in February 2022, made

several changes to the 2011 Act but for the purposes of this research, this legislation was ignored since it was not within the relevant time frame. These changes were expected to come into force in late 2022 and spring and summer 2023.

The second part considered the guidance documentation, particularly the Charity Governance Code (Charity Governance Code Steering Group, 2017) published by the National Council for Voluntary Organisations (NCVO) and the Charity Commission for England and Wales Guidance document CC3 (Charity Commission, 2003). This allowed for an analysis of the various aspects of governance to be developed later in the chapter.

#### 4.1 Charity governance definition

A definition of charity governance proved particularly challenging and it was clear from an early stage that there is not one specific definition but a variety of different ones with different concepts and ideas. Table 1 in chapter two (page 42) was developed specifically to consider the main theories and categorise them between unitary and pluralistic philosophy and review the academic theory relevant to them.

Cornforth (2001) states that ‘the governance of voluntary and non-profit organisations has long been regarded as problematic’ (p.217) and continuing with this notion, Hyndman and Jones (2011) state that governance is ‘a leitmotif in discussions on how organisations should operate’ (p.151). At the start of this study, a working definition of governance was introduced not as a definitive concept but more as a way of giving some form of structure. It was intended as a starting point in the research and stated:

Governance is about the overall direction (Dallas, 1997; Givens, 1991), effectiveness (Cornforth, 2012), supervision (Morris, 2016; Renz, 2007), and accountability (Hyndman and McDonnell, 2009) of an organisation to work in accordance with prescribed objectives and regulations (Brown, 2005; Ostrower & Stone (2006)).

## 4.2 Background to the legislation

As the narrative has shown, there has been significant development in the volume and quantity of charity legislation since the Charities Act 1960. Jobome (2006) when reviewing charity governance, remarked that there were several external governance mechanisms that he considered were vital for good governance. Two specifically were compliance and accountability and they are defined as follows:

1. **Compliance** is the act of acquiescing to requests or instructions which dictates that there is little or no choice. Rollason and Hirsch (2021) define it as ‘acts or activities that conform, submit or adapt to rules or to the demands of others’ (p.1).
2. **Accountability** is the obligation to accept responsibility. O’Dwyer and Boomsma (2015) define it as ‘a type of formal oversight and control imposed on individuals and or organisations’ (p.40). In respect of this study, this meant that ‘Individuals or organisations are held responsible for their actions through the implementation of formal mechanisms of control’ (p.40). In relation to the charity sector Vinten (1997) attempts to define the term and states ‘it is vital the recipient voluntary organisation accepts an obligation to reveal, explain and justify what it does and how it discharges its responsibilities (p.25). To this end he develops thirteen elements of what he considers represents accountability within the sector. These relate to aspects such as fulfilment (of objectives), formal procedures, adequate detail, consistent form and values and principles. As he indicates it is a complicated and involved obligation

An area that has developed since the 1960 Act has been that of improved organisational transparency of which accountability is one aspect. This was a wide topic but these developments have become more significant and, in some cases, become a legislative requirement. Connolly and Hyndman (2013) state that ‘The concept of accountability seems inextricably linked with the view that accounting should provide information to satisfy the information needs of users’ (p.127). This was a reasonable assumption on the basis that financial information is critical for any individual to be able to judge the viability of an

organisation. But they further suggest that 'previous empirical work conducted in Britain found that while audited financial information was most frequently disclosed by charities, users viewed wider performance information as being of greater importance' (p.127). The suggestion being that stakeholders and supporters were expecting a much broader range of information rather than just finance. Accountability was not just about finance as the concept was much broader than this. Thompson and Williams (2014) when reviewing alternative funding options for charities stated that this should never detract from the main objectives and should not draw attention away from these. They state that 'For many social enterprises it is difficult to balance the achievement of the organisation's primary social objectives with the commercial aims of the entrepreneurial venture, which supports these objectives' (p.112). Achieving organisational objectives is of critical importance for any charity.

The development of the Statement of Recommended Practice (SORP) was first introduced in 1988 and then revised in 1995 and 2000. There were further revisions in 2005 and the current applicable version was from 2014. Its early iteration in 1988 was one from a purely finance perspective which had been prompted by Bird and Morgan Jones (1981) whose major report had concluded that at the time there was little consistency in the preparation of charity accounts. The publication of SORP 2 *Accounting by Charities* (ASC, 1988) was introduced in 1988 and as Hyndman and McMahon (2010) state it 'was a relatively short document, based almost entirely on applying commercial principles to charities while allowing accountants a high degree of discretion as to how they used the recommendation' (p.456). Furthermore 'While charities in the UK were encouraged to apply the recommendations of the 1988 SORP, they were not required to do so (p.457). Hogg (2018) adds that 'there was wide diversity in the quality of charity reports and therefore no sector-wide standards for accountability of transparency' (p.11). However, over time compliance with the SORP has become mandatory and it is now enshrined in legislation. Morgan (2015) states 'The SORP first acquired formal status in regulations from 1996 in England and Wales' (p.03). As Hyndman and McMahon (2010) also comment that 'In England and Wales, the 1960 Charities Act was replaced by new Charities Acts in 1992 and 1993, offering expanded accounting regulations for charities, expanded again in the Charity Accounting Regulations, 1995 (p.457).

The current SORP is very different from the original 1988 version and it is now possible to evaluate more detailed information (not just financial) about any registered charity. Much of this was developed in the 2005 updated SORP and as Hyndman (2010) states the aim was to 'improve accounting and reporting in charities by reducing the diversity of accounting practice in charities' published financial statements' (p.328). Furthermore he adds that 'the later iterations of the SORP, (were) to provide appropriate non-financial performance and governance information' (p328). The aim being to provide stakeholders and other interested parties with improved and detailed information. Connolly, Hyndman and McConville (2013) state that it required trustees to provide 'extensive information on the administration, governance and management of the charity, additional information in the financial review and explanations of plans for future periods' (p.60). Furthermore, it also 'included detailed recommendations on the disclosure of the objectives and activities of the charity, and on achievements and performance against those objectives' (p.60). What developed was a requirement of trustees to provide not just financial details but much more in-depth information in respect of their charity to allow external groups and individuals to have a much wider perspective as to how their organisation was performing. The point being that these were now a statutory requirement which had developed over time. A more detailed review of the development of the SORP in respect of governance procedures is considered in section 4.8.

Later developments introduced the concept of Public Benefit Reporting which was initially introduced in the Charities Act 2006. The idea was not new as it has always been assumed that any charity would always work for the benefit of the public whom it served. However, the 2006 Act made it a legal requirement. But as Morgan (2012) indicates 'rather than offering a clear definition of public benefit, the 2006 Act removed the former presumption, but in other respects it left public benefit to be understood as it had developed in case law' (p.79). This created an obvious problem which was only finally sorted with the introduction of the Charities Act (2011).

What this showed was the ongoing issues in respect of charity governance that have developed over time and eventually made their way into legislation. There has been a steady increase since the Charities Act 1960 with new legislation relating to the sector which has led

to a greater number of compliance issues and demands on trustees. Charity guidance material had also increased in quantity and quality over the same period. Much of this has been driven by increased expectations and changed societal demands. This material was generally encouraging in tone and designed to enhance charity governance and has been issued by both English and Scottish regulators. The Charity Commission for England and Wales main guidance has been in the form of document CC3 'The Essential Trustee' and there were a variety of other publications dealing with specific aspects of governance. The equivalent from the Scottish Regulator (OSCR) is 'Guidance and Good practice for Charity Trustees' which was broadly similar and in line with that issued by their English counterpart. There was an expectation that trustees would already have in place procedures to ensure legislative compliance and these guidance documents were designed to develop this and add another layer of improved procedures.

#### 4.3 Analysis of data collected.

The research methodology as discussed in chapter three gave details as to how the data was both collected and analysed. To reiterate, both the legislation and the guidance material were first analysed via NVivo software which resulted in key concepts being developed. Whilst it was possible to develop these into themes from within the software architecture the preferred option was to develop these through Microsoft Excel where the reporting structure and analysis tools allowed for the data to be more easily manipulated into a variety of governance topics. These were then developed into the main themes which are included within this research.

#### 4.4 Legislative Review

##### 4.4.1 The Charities Act 1960

This was a short statute comprising of just five parts and less than fifty sections. According to Marshall (1961) the major reforms were the 'reorganisation of the central authorities and the establishment of a central register of charities' (p.447). The latter required some trustee involvement as section 4 dealt specifically with the establishment of a register of charities. It stated ' There shall be a register of charities which shall be established and maintained by the Commissioners' and 'there shall be entered such particulars as the Commissioners may from

time to time determine of any charity there registered'. Furthermore, the onus was placed on trustees to provide such information as was considered appropriate. Under section 32 there was, for the first time, a general obligation for trustees to keep records and accounts. Specifically 'Charity trustees shall keep proper books of account with respect to the affairs of the charity'. Furthermore they had to 'prepare periodical statements of account (and) shall prepare consecutive statements of account consisting on each occasion of an income and expenditure account relating to a period of not more than fifteen months and a balance sheet relating to the end of that period'. Yet despite this there was no further guidance as to the form or content of these records and this was a key factor since this was new and had never been requested before.

To summarise, this was effectively the commencement of what can be considered as modern charity legislation and saw the start and development of what developed into the regime of charity compliance. By modern day standards this would be seen as somewhat inadequate since it mainly concentrated on central reorganisation and an obligation for trustees to keep records.

#### 4.4.2 The Charities Act 1985

Twenty-five years later, a new statute was enacted and like its predecessor, it was also short with just seven sections. This increased the demands and expectations on trustees, notably section one relating to the preparation of accounts. Here the Secretary of State had the power to 'to prescribe the forms in which such statements are to be transmitted' and also 'to require any such statements to include an itemised schedule (in the prescribed form) of all property currently held for the purposes of the charity, with an estimated value assigned to each item'. By the standards of today what was demanded was non-specific and vague and little guidance was given as to the format required. But it did set a precedent that the preparation of a yearly set of accounts (in whatever format) was by now becoming a legal requirement. It also created an additional problem because, at the time, there was no central authority to receive or even review accounts. So, to alleviate this, the Act stipulated that they had to be submitted to the 'appropriate' local authority. At the time, charities were encouraged to work closely with these authorities hence the need to make them available on a local basis. Sect 1 (3a) also

stipulated these accounts had to be made available for inspection by the public at ‘any reasonable time’.

The legislation also developed an expectation that some aspects of charity work had to be open to public inspection in some form of transparency, particularly in respect of the stewardship of donated funds. This was new and whilst the Act only related to finance, it set a precedent for future legislation. Section 2 and 3 also created more demands on trustees in respect of changing objectives and dealing with property.

In summary, despite the passage of time, this Act continued the gradual development of a compliance regime together with the start of additional demands and expectations of trustees. This was a continuing theme within subsequent legislation particularly in respect of charity accounts and audit. Furthermore, for the first time this Act introduced the concept of transparency together with the notion that some aspects of charity work had to be open to public scrutiny and inspection.

#### 4.4.3 The Charities Act 1992 and 1993

This growth in demands on trustees continued with two new statutes. The Charities Act 1993 was a consolidation of the previous year, but sections 41 to 49 introduced a large section on financial requirements which went into specific detail about how to produce final accounts. The requirement for an audit or external examination of accounts was made for the first time. This was dependent on an income threshold of £100,000 and there were specific instructions as to who could conduct such audit work. The legislation stated they had to be eligible for appointment as an auditor ‘in accordance with section 25 of the (1989 c. 40.) Companies Act 1989 and also ‘a member of a body for the time being specified in regulations under section 44 and is under the rules of that body eligible for appointment as auditor of the charity’. This represented an important milestone since this was the first time any mention was made of any form of compliance or organisational accountability. The specific details will be considered later but the direction the legislation was heading was becoming clear and there were greater demands being placed on trustees and individuals in terms of both compliance and accountability, particularly financial. The legislative environment as intimated by the Charities Act 1960, whereby trustees were effectively allowed to work independently and



with a significant degree of latitude, was gradually being eroded and being replaced by a greater and more intrusive compliance regime. Bird and Morgan-Jones (1981) had identified significant failings in reporting by charities and this was one of the driving factors behind the development of the initial SORP. Connolly, Hyndman and McConville (2013) conclude that their findings 'were widely regarded as a 'wake-up call' for the UK charity sector and ultimately resulted in the publication of Statement of Recommended Practice (SORP) 2: Accounting by Charities (ASC,1988)' (p.59).

These two Acts continued the trend towards a more intrusive and demand led legislation coupled with the desire for greater compliance, transparency and financial propriety. Part two of the Charities Act 1992 included for the first time a section entitled 'Control of Fund-raising for Charitable Purposes'. As will be shown, this gained greater prominence in later legislation over subsequent years.

#### 4.4.4 The Charities Act 2006

The Charities Act 2006 continued the trend towards greater trustee expectation and compliance since, unlike some of its predecessors, this was a large legislative document comprising of over 80 sections. Iwobi (2009) described it as 'one of the most momentous events in the recent history of English charity law' (p.619). Some academics would question this enthusiastic comment, but it was certainly large.

Within the Charities Act 2006 there were further demands on trustees particularly in sections 1 to 5. The main demand is in section 3 where trustees were expected to consider the public benefit that their organisation was aiming to achieve. This is the first time this had been introduced and was an example of the way that the legislation was gradually expecting more accountability from charity trustees. Although much of this was superseded by the Charity Act 2012 the original legislation was somewhat vague and stated 'that a purpose falling within section 2(2) (description of charitable purposes) must be for the public benefit if it is to be a charitable purpose'. This clause was designed to make trustees reflect on their organisational aims and objectives and effectively justify their charitable status. This was new and proved to be another milestone in the changing landscape of charity governance. Morgan (2012) argues that 'a mandatory system of PBR (public benefit reporting) amounts to a major increase in

the accountability demands on charities. Under PBR, public benefit is no longer an abstract concept, but a requirement on which every registered charity - small or large - must report every year' (p.24). The Act further stated that every registered charity had to 'show that they operate for the public benefit' (Reed 2007, p.35) whereas prior to this legislation this had always been presumed. Section 9 of the Act again developed the role of the trustee in respect of disqualification, the rules surrounding the purchase of trustee liability insurance and other personal liabilities commensurate with the role. Sections 45 to 69 dealt with issues specifically relating to fund-raising, most notably placing restrictions on collections door to door and in public spaces as well specifying the need to apply for public collections certificates from the Charity Commission. The legislation was very specific stating 'A person or persons proposing to promote a collection in a public place (other than an exempt collection) in the area of a local authority may apply to the authority for a permit to conduct that collection'. There followed a number of rules that were applicable to local collections and this was the first time that these issues had been introduced at a legislative level.

Iwobi (2009) was again enthusiastic and described the Act as a 'momentous event', and it was certainly a large and encompassing document which introduced major changes to the legislative landscape. Yet within five years it had been repealed and its contents incorporated into the Charities Act 2011. One of the problems the 2006 Act created was in respect of the definition of 'public benefit' which it had introduced yet failed to provide an adequate definition of. Morgan and Fletcher (2013) dealt with this in detail but state that 'whilst the 2006 Act placed the public benefit requirement in statute, it did not define the term except by reference to existing charity law' (p.808).

This legislation effectively set down the parameters for the 2011 Act. In terms of themes there was the continued desire for greater compliance and accountability but also this legislation saw an increase in control of fund-raising activities. As a reminder this was effectively introduced in the 1993 Act but here there are greater demands being placed on trustees and a much tighter control on activities. The public benefit requirement also encouraged charities to be more open and transparent with the audience they served.

#### 4.4.5 The Charities Act 2011

This was a substantial document with 19 chapters and over 350 sections. Yet it introduced nothing new or substantive and was specifically designed to consolidate all the previous statutes into one single Act and simplify the structure of the existing legislation. Both the definition of charity and the public benefit requirements were included in sections 3 and 4 with the requisite demands on trustees being stated. This was a key area because as the legislation changed it was creating additional demands on trustees who as a body, were and are, responsible for the governance of their own organisation. Charity Commission publication CC3a 'The Essential Trustee' (Gov.uk., 2021a) clearly states that 'Trustees have, and must accept, ultimate responsibility for directing the affairs of their charity' (p.3). Within the Act, monetary responsibility and transparency have been shown to be key themes of governance and part 8 included 5 sections specifically dealing with reports, accounts and returns by going into detail and placing more specific demands on trustees. Demands such as ensuring the preparation of yearly accounts as well as ensuring accounting records were kept and preserved. An example being section 137 (4) which stated that 'The charity trustees of the parent charity must take reasonable steps to secure that the undertaking keeps such accounting records as to enable the trustees to ensure that, where any group accounts are prepared by them under section 138 (2), those accounts comply with the requirements of regulations under section 142'. Other parts of the legislation included the development and expansion of the Charity Commission and its interaction with trustees. In total the Act has over 804 references to what trustees should and must do to remain compliant.

Whilst the Charities Act 2011 is the current applicable legislation another supplementary statute has also passed into law. The Charities (Protection and Social Investment) Act 2016 was a short legislative document that included just seventeen sections and whilst it only covered four broad areas it nevertheless introduced more substantive change. One was relating to fund-raising which will be dealt with in detail later and as the name suggests, the other dealt with social investments which were now permitted. From the trustee perspective there were further alterations in terms of disqualification of trustees together with increased Charity Commission powers. Their control and power to investigate and suspend trustees was added as an amendment to section 76 of the Charities Act 2011. Failure to act or a refusal to comply with Charity Commission instructions could now lead to a suspension for a period not

exceeding two years and this was included under section 2 of the Charities Act 2016. This meant that the Commission was now the single line of authority in respect of compliance within a unitary governance system. It also gave the Commission power to appoint interim managers and to take control of any misbehaving charity. Section 3 added that the conduct of trustees needed to be considered before exercising such power, but it was clearly looking to see if dishonesty had been a part of any dealings. Sections 4 to 8 dealt in detail with the additional power that had been granted to deal with any other wrongdoing by trustees. Section 4 allowed for the removal of trustees following a duly constituted enquiry, section 5 dealt with their disqualification while section 6 allowed for an instruction of what action was not to be taken, effectively giving the Commission power over a charity to effectively take it over and remove the trustees. Sections 7 and 8 allowed the Commission to wind up a charity while 8 allows them to redistribute any assets to another organisation with comparable objectives. As an overview, sections 4 to 8 gave the Charity Commission substantial and wide-ranging powers over registered charities.

In summary, this further tightening of the compliance regime was to ensure that any poor or bad practice by trustees would be dealt with by the threat of sanctions. The Act created significant and substantive changes in the way that the Commission was allowed to operate. Actions like disqualifying trustees and winding up charities was a major change in how they were being allowed to act. This was a tightening of the compliance regime designed to ensure that the trustees acted in accordance with current legislation on the assumption that such actions would automatically bring about governance improvements. This supposition is considered later but starts with the notion that more explicit rules will automatically equate to better governance.

#### 4.5 Governance themes within the published legislation

The evidence from the stated Acts together with the individual summaries allowed for a comprehensive table of themes to be developed which is evidenced in table 3 below. This was aimed as a broad outline of those topics considered relevant for development of the research particularly in respect of the first research question. This was clearly not expected

to be exhaustive but indicative of the main areas that were deemed relevant and appropriate for this thesis.

This suggested that trustee’s responsibility had changed markedly over a relatively brief period. From the Charities Act 1960 where little was demanded to the current Charities Act 2011 where there are now substantial demands and expectations on trustees with the threat of sanctions for non-compliance. To apply these, there was a need for power to be given to a central regulator and not members of the charity outside the governing body. This was to ensure that trustees were being monitored and checked for compliance. What developed was the Charity Commission for England and Wales and its growth over a brief period has been both significant and rapid. Fries (2006) states ‘It is an autonomous government department established under statute, currently the Charities Act 1993 (which is being amended by a Charities Bill now being considered by Parliament)’ (p.7).

#### 4.6 Governance themes

The developed themes from the legislation were as follows:

*Table 3. Analysis topics relevant to good governance*

<b>Review topics considered relevant to good governance by legislators</b>		
Theme 1	Compliance issues	Charities Act 1960. Sections 3 and 4 Charities Act 1993. Sections 1(3) and 8 to 12 Charities Act 2006. Sections 6 to 8 and 9 to 14 Charities Act 2011. Sections 29 to 60 and 117 to 192
Theme 2	Financial accountability	Charities Act 1993. Sections 41 to 49 Charities Act 2011. Sections 130 to 173 Statement of Recommended Practice (SORP)
Theme 3	Organisational Transparency	Statement of Recommended Practice (SORP)
Theme 4	Fund-raising	Charities Act 1992. Sections 58 to 64 Charities Act 2006. Sections 45 to 69 Charities Act 2011. Sections 162a

		Charities (Protection and Social Investment) Act 2016. Sections 13 and 14
Theme 5	Public Benefit requirement	Charities Act 2006. Sections 1 to 5.

#### 4.7 Theme 1 - Compliance issues

The development of the Charity Commission was included in the Charities Act 1993 but by 2011 its role was significant in all aspects of charity life in the England and Wales. Scotland had its own regulatory body (Office of the Scottish Charity Regulator) formed in 2005. There had been Charity Commissioners since 1853 but their role was, as demonstrated, always minimal. Section 3 and 4 of the Charities Act 1960 gave them ‘the independent function of promoting the effective use of charitable resources by encouraging the development of better methods of administration’ (Marshall, 1961 p.448). As noted earlier, the Act also ensured that the Commissioners should ‘establish and maintain a register of charities, in which such particulars must be entered as the Commissioners may from time to time determine’ (p.450). This was the first time that this had been enacted and Burt (1960) comments that ‘certain documents must be supplied to the Commissioners and the register is to be open for public inspection’ (p.110). The emphasis was placed on trustees to decide whether they were required to register and prior to this there had been some confusion with some organisations as to whether they were charities at all. The Act gave the Commissioners some limited powers to determine their charitable status.

Even by 1993 their role was minimal. Section 1 (3) reiterated that ‘the Commissioners shall (without prejudice to their specific powers and duties under other enactments) have the general function of promoting the *effective use* of charitable resources by encouraging the development of better methods of administration’. (My italics). The emphasis was to encourage charities to be effective (although this was never defined) but the Commissioners had no direct influence on trustees day-to-day working. Yet this was an indication as to the direction that future legislation was to take, and sections 8 to 12 allowed for the first time, Commissioners to institute general enquiries and to call for documents. Furthermore, section 11 set out details of the offence of providing false or misleading information together with applicable fines. There was increasing emphasis on trustees to both provide information and

adhere to requests from the Commissioners. Yet the status quo remained that the Commission was not allowed any direct involvement with day to day running of any charity. This all changed with the Charities Act 2006.

The Charity Commission for England and Wales in its modern form came into being at this point and was created as a body corporate and then defined as a regulatory body. For the first time, sections 6 to 8 covered its role and objectives while sections 9 to 14 dealt with the registration element. These sections required contributions from trustees or other specified individuals to ensure that registered charities continued to be compliant with the applicable legislation. The Charities Act 2006 was consolidated along with other statutes into the Charities Act 2011 where no further major changes were made. Finally, sections 29 to 60 of the 2011 Act dealt with registration and naming issues while sections 117 to 192 gave wide varying power to the Commission to demand information from individuals. These covered aspects such as charity land (section 117 to 129), accounts, reports and returns (section 130 to 176) and charity trustees, trustees, and auditors (section 177 to 192).

The Charities Act 2006 tried to 'set the scene' as regards what had changed in terms of compliance issues within the published legislation. What the data had shown was how this had developed over a very brief period. Since the Charities Act 1960 these demands have increased from a loosely regulated system whereby little information was neither needed nor requested to a situation under current legislation where the demands are both substantial and involved. Failure to engage or supply these details was now punishable under the wide-ranging Part 2 of the 2006 Act (sections 6 to 44). Furthermore, there had been an increase in the level of knowledge required for the role. A trustee up to the start of the new millennium did not need the level of skills required today in terms of financial matters, legislative knowledge and in some case business acumen and skills.

In the same period, the Commission had developed from a body that was deemed at first simply to 'advise and help' to the one today that is both advisor and regulator together with additional powers to discipline. It now had a variety of objectives with the principle being to maintain public confidence within the sector and both the Commission and trustees have seen their respective roles change in a brief period. If compliance was deemed to be an aspect

of good governance (which it is by implication) then these demands have increased exponentially. In terms of good governance there was an expectation that those registered charities that are deemed to be well run and by implication, practice good governance, will adhere to the legislative process that demanded this compliance. As stated, there were also an unknown number of either exempt or unregistered charities that were expected to comply with the appropriate legislation but are not under the authority of the Commission.

What this indicated was that this process had become more complex and involved over time. Whilst this was important for the running of any charity, what the following showed is that compliance (as a concept of good governance) would also apply to other specific processes. Finance being an example.

#### 4.8 Theme 2 - Financial accountability

Financial probity and consistent reporting have always been seen as indicative of good governance and the assumption is that charities would automatically aspire to this notion (Connolly & Hyndman, 2013). Yet the idea has only recently been enshrined in legislation. The early Charities Acts of 1960, 1992 and 1993 alluded to financial good management but in line with the attitude at the time, there was an expectation that this would be achieved rather than demanded. The assumption was that trustees would automatically comply rather than being instructed to.

There was some disquiet in the late 1980s as to the financial integrity of some charities (Bird and Morgan-Jones (1981)). Sir Philip Woodfield in 1989 was tasked with reviewing their financial submissions only to discover that very few completed audited accounts and there were various other issues as regards presentation and overall compliance. Around the same time there was the publication of a recommendation document entitled 'The Statement of Recommended Practice (SORP). Accounting by charities' (ASC, 1988) was aimed at developing substantive accounting guidance for charities and the accounting profession.

SORP 2 (as the original SORP was called) was published in May 1988 by the Accounting Standards Committee (ASC, 1998) but at the start there was an awareness of its limitations. Indeed, the first paragraph states 'although the recommendations are not mandatory,



charities are encouraged to follow them' (5.2). It further states, 'The recommendations contained in this statement of recommended practice go beyond the requirements of the Charities Act 1960 and the Charities Act 1985 and have been welcomed by the Charity Commission' (5.2). The comment about the Charity Commission was tantamount to an admission that the document had (at the time) little legal authority but it did further state that 'Accounts prepared in accordance with these recommendations will therefore be acceptable for filing with the Charity Commission and, if necessary, with the appropriate local authority' (5.2). This was an indication of what was to follow with subsequent legislation but even in 1988 there was still reference to the power and authority that local authorities had over charities within their area. By today's standards this would be seen as unusual, but it is indicative of the changes that have taken place over a relatively brief period.

The original SORP was a short document at just 28 pages and in three sections defined what constituted good accounts and reports. Part 1 was an introduction, part 2 dealt with definitions with part 3 gave precise details of how charity accounts were to be prepared. The subsets were as follows:

- The annual report.
- The trustees report.
- The accounts.
- The accounting policies.

These sections all went into complex and involved financial detail as to the appropriate presentation standards. Specifically, the annual report for the first time required legal and administrative details to provide background information in respect of the charity. The Trustee Annual Report (introduced for the first time and known by the acronym TAR) was designed to provide a commentary on the events for the period under review while the accounts gave specific details in financial form of the resources and the activity of the charity. If the accounts were to be audited, that report needed to be included. It was both highly prescriptive and very precise. As an example, note 25 explained in detail how certain funds needed to be reported while note 32 gave particulars as to how accounting policies were to be included in the TAR and more especially the exact wording. Both the Income and Expenditure presentation were described in line-by-line detail (notes 58 to 65) while the balance sheet was treated in an identical way (notes 66 to 73). The remainder of the section

dealt with other minor presentational issues deemed at the time to be appropriate. The appendix of the SORP included examples and fair copies of both the income and expenditure and balance sheet presentation together with the necessary and required notes. It was a highly prescriptive document with the aim being to develop and improve charity accounts and presentation. This was the first time this level of detail had been specified and its opening introduction made it clear that there was an expectation that this guidance would be adhered to.

Following this, the Charities Act 1992 and 1993 included for the first-time detailed requirements in respect of finance and reporting which bore a similarity to those included in the SORP. In the 1993 Act, sections 41 to 4 stipulated what was expected in respect of accounts and audit but did not go into the specific details in the way the SORP document had. As an example, section 42 stated that annual accounts had to be produced but did not say in what format. The inference was that the SORP would apply but this was not specifically stated. The accounts requirement and reports were dependent on income levels. Small charities (defined by income level) were required to do little in the way of presentation and publication. Medium sized ones were expected to have an independent examination of accounts while only large organisations were instructed to have accounts audited. It was reasonable to assume that any accounts and audits produced by professional accountants would automatically adhere to these guidelines. Section 44 provided professional auditors with details of what the Commission expected to be reported when there were issues and problems identified. Section 45 mirrored the SORP by demanding an annual report which under section 47 had to be made available for public examination and was also indicative of the need for transparency within the sector. Finally, section 49 introduced for the first time a list of sanctions for non-compliance as well as fines that could be imposed on trustees.

All these changes were demanding more from trustees and the role itself was also changing from one that originally required little knowledge or effort to a role that had effectively become professionalised with an important level of knowledge and skills required to perform even to a basic level.

The Charities Act 2011 repealed all previous legislation and brought forward the regulations relevant to finance and reporting. Sections 130 to 173 covered the main topics and there had been some expansion in the detail required while the original demand for accounts, audit and reports remained the same. Section 130 to 136 dealt specifically with individual finance which covered keeping records (s130) and preparation of accounts (s132) which by this stage had become a standard information requirement. But the section required more details in respect of finance and financial reporting and the preservation of accounting records (s131) and preservation of statement of accounts (s134). Neither of these had been included in previous statutes and there was some uncertainty as to why this had changed. The legislation also stated that there was a need for these documents to be retained for a minimum of at least six years. Other changes included the need (where appropriate) for group accounts. This first emerged in the Charities Act 2006 and other sections carried over the requirement for accounts to be audited or independently examined (s144 to s161). Other parts dealt with the relationship between the auditor and the Commissioners and specified in some detail what was expected of them in terms of reports and disclosures.

What this indicated was that with the current 2011 Act, the demands on trustees had increased again in terms of what they are expected to prepare and produce not only for the Charity Commission but for the public and stakeholders as well. This public and stakeholder dimension recognises a multi stakeholder and, by implication, a pluralist direction even though this is not within the published legislation and governance.

#### 4.9 Theme 3 - Organisational Transparency

Transparency is an obligation or a willingness by a charity to publish and make available information about itself to a wider population. Liket & Maas (2015) state 'Transparency is the first step in creating the ability for stakeholders, such as donors, clients, and others to hold an NPO accountable' (p.276). This can include its charitable objectives or its internal workings, but it is about making information available and being seen to be transparent. Much of this work had developed in parallel with changes in the legislation but most noticeably had been the further development of the Statement of Recommended Practice (SORP). As noted above, this was originally introduced in 1988 and has been revised and developed with new versions

published in 1995, 2000 and 2005. The current version was introduced in 2014 and applied to all charity year ends after 1 January 2015. For the first time it was divided into two modules to advise and help smaller charities, but this analysis concentrates on the main document SORP (FRS 102) (Gov.uk, 2021b)

On closer examination, there was evidence that while the basics of developing a standardised set of accounts and annual report had remained the same, what had changed was the notation and additional information deemed necessary. Whereas the original SORP concentrated only on presentation, the current 2015 version expected significantly more information and disclosure. Over this period, the Trustees Annual Report (TAR) had changed from a simple document to a much larger information article designed to provide individuals external to the organisation with much more detailed and involved information. It provided greater transparency on the premiss that more data, to more people, would signify better and improved governance. Whether this was true is open to conjecture, but the following changes were contained within the 2015 document.

- Cash flow statement. All charity accounts were expected to include this to give some details as to what the charity trustees had spent funds on in the relevant period. The intention being to allow observers to assess whether funds had been spent on charity objectives, administration expenses or other items.
- All charities had to disclose the number of employees whose remuneration was over £60,000 and this needed to be in bands of £10,000. Additionally, charities were expected to disclose their remuneration policy as well as detailing any employee benefits received by key personnel during the period.
- The current SORP demands detailed disclosure information in respect of accounting procedures and explains how certain income should be disclosed and how this must be reported. One of the significant changes was in respect of gains on investments which now have to be reported as income rather than as in the past either being ignored or reported in a later period. A process known as reserve accounting.

- The use of language had also changed. For the first time the SORP used the terms 'must,' 'should' and 'may' to indicate the relevance of each recommendation. The aim being to ensure best practice was followed as well as providing details on what was appropriate for good practice.

Both the legislation and the SORP have developed in parallel so that trustees, who have ultimate responsibility for their charity, now have greater demands placed upon them from a much tighter legislative perspective and are expected to provide more detailed information to the public and stakeholders via their annual report. An example of this in legislation is in the Charities Act (2011) where the final sections 162 to 173 deal with annual reports and returns and more specifically public access to this information. This was first introduced in the Charities Act 1993 but by 2011 this had been expanded and added to. Section 164 was highly prescriptive in stating which documents had to be submitted annually to the Commission. These included a set of accounts and annual report. Failure meant trustees incurring penalties which were outlined in section 173 which went into detail as to what was required together with the penalties for non-compliance. As an example, section 173 (2b) required an annual return, section 173 (2c) needed the most recent annual report and section 173 (2d) the most recent annual set of accounts.

In respect of good governance there were now significantly more compliance issues to be adhered to. Furthermore, these changes showed that there were more opportunities to be in default of both legislation and regulation and by implication, be deemed as not providing good governance. The legislative aim to provide more information to the public is evident from the rules regarding fund-raising. Many charities rely on donations and contributions from the public and this now requires a substantial degree of public transparency.

#### 4.10 Theme 4 - Fund-raising

Fund-raising is one of the principal sources of income for many charities, the other being trading income from within the retail sector. Yet legislation relating to fund-raising was only introduced in the Charities Act 1992. This was an early attempt to regulate what had previously been an unregulated area and like much of the early work was left very much to trustees to administer. Part 2 (sections 58 to 64) of the 1992 Act dealt with 'Control of Fund-

raising for Charitable Institutions' and was brief running to just seven sections. Virtually all of it dealt with control aspects in respect of dealing with professional fund raisers and their relationship with the charity, dealing with the public regarding complaints and sanctions for false statements. It was basic good practice material which was developed further with the Charities Act 2006 where part three established the primary areas relevant to this topic. Section 45 to 66 established the arrangements for the conduct and regulation of charitable collections, particularly in public. This covered events in the street and requests at the doorstep. Section 67 to 69 made changes to the rules requiring statements to be made to donors and consumers by paid fundraisers and commercial participators while the final part, section 70 and 71 dealt with new powers for the Minister and Cabinet Office to give financial assistance to charities and other benevolent and philanthropic organisations.

The Charities Act 2011 developed this by indicating what needed to be disclosed by the charity in their Trustee Annual Report (TAR). Section 162a states that if there had been fund-raising activity during the relevant accounting period then the following were required disclosures.

- The fund-raising approach adopted in respect of any campaigns. This needed to include details of any professional groups used for these activities.
- Details of any voluntary schemes that had been adopted in respect of this activity.
- Whether the charity monitored the activities of any person acting on its behalf and, if so, how this was done.
- The number of complaints received relevant to the activity during the year.
- How vulnerable and older people had been protected and finally,
- Whether they considered that they had been unduly persistent or intrusive during their campaign.

There had been several scandals involving charity fund-raising. Hyndman (2018) considers the case of the suicide of a poppy seller from Bristol. He states, 'in 2015, in the UK there was the much-publicised suicide of 92-year-old poppy seller Olive Cooke (believed to have received almost 3,000 charity mailings in a single year), and there was the collapse of Kids Company amid allegations of financial mismanagement' (p.248). He further states 'Often these (events) arise when behaviour is at odds with the public's expectations' (p.248). The tightening of the

legislation relating to fund-raising activity was included in the Charities (Protection and Social Investment) Act 2016. This came into force in stages during 2016 and 2017 and the Act included four main strands, only one of which related to fund-raising. Sections 13 and 14 dealt with this issue and particularly the controls associated with it. It was effectively a tidying up exercise. Section 13 amended section 59 of the 1992 Act by adding additional rules in respect of fund-raising agreements and stipulating what needs to be included. Also, there was tightening of the wording in respect of behaviour in relation to fund-raising and furthermore the legislation widened the aspect of unacceptable behaviour. This section also amended section 162 of the 2011 Act in respect of what needed to be disclosed within the TAR and several changes were made. Section 14 was a similar tidying up exercise, but this related to section 64a of the Charities Act 1992. This gave additional powers to the Charity Commission to allow them to have some control over how charities either conducted their fund-raising or disclosed their policies and performance within their TAR. According to Hind (2017) much of this additional legislation was as a direct result of ‘the fund-raising controversies of 2015’ and subsequently ‘new clauses were added into the Act’ (p.209). Hind (2017) reviews extensively the issues surrounding both the death of Olive Cooke and other issues relating to charity fund-raising. He states, ‘Prior to that, (the death of Olive Cooke) many within the charity sector reassured themselves that the number of public complaints about fund-raising was acceptable because it constituted a very small proportion of the high volume of overall fund-raising activity undertaken, and that ‘the ends justified the means’ (p.210).

#### 4.11 Theme 5 - Public benefit requirement

Public benefit reporting has been an element of governance that has gradually been introduced in successive legislative documents. The first mention was in the Charities Act 2006 where trustees were expected to consider the public benefit that their organisation hoped to achieve. The Act further stated that every registered charity had to ‘show that they operate for the public benefit’ (Reed 2007, p.35) whereas prior to this legislation the assumption had been that any charity always worked for the public good (however defined). However, this now had to be stated publicly as part of their compliance regime. As Arrowsmith (2019) comments ‘The public’s trust that a charity is delivering public benefit is fundamental to its reputation and success, and by extension, the success of the wider sector’ (p.44). Maintaining trust in the sector is vital and Hyndman and McConville (2018) state ‘In

the UK charity sector, increasing public trust and confidence in charities is the first and arguably the most important objective of the Charity Commission' (p.227). The hope would be that improved compliance with applicable legislation together with more accurate and available detailed information, will help the public and other stakeholders to gain information about their respective charities and organisations.

The analysis so far has concentrated on the legislative process and documentation and what this has meant for elements of good governance. This would always be a binary process since rule compliance will be deemed as good while non-compliance will be seen as poor. This is far from a new idea and by its nature, all legislation and compliance will follow this formula. But in respect of this research question, to consider governance without reviewing the wider variables would provide a skewed interpretation. Table 1 (page 42) gave an insight not only to the main governance theories but also provided an indication as to the philosophies and actions behind these. This indicated that governance was often wide-ranging and varied and was more complex than simple legislative sections within a specific parliamentary act.

- [Governance material.](#)

The next stage of this analysis considered the governance material and later reviewed the developed themes. As stated, there was a degree of overlap between some of them but as will be shown there were also new themes developed that were unique to that material and were not considered by the analysed legislation.

The publications reviewed were the Charity Commission Guidance document CC3 and the Charity Governance Code (NCVO). Details of both were discussed in chapter two and are further considered below:

- [Charity Commission Guidance Document \(CC3\)](#)

Published by the Charity Commission, this was the main guidance document for charity trustees. It explained their responsibilities and duties and was considered essential reading for all appointed to the role. It was an instruction guide which divided responsibilities into six principal areas. They were:



- To ensure the charity was carrying out its purpose for public benefit.
- To comply with governing documents as well as the law.
- To act in the best interests of the charity.
- To manage resources well.
- To act with reasonable care and skill.
- To ensure your charity is accountable.

From these main themes the guide then splits the topics into various sub themes to assist the reader. CC3 was rewritten in 2015 after a wide consultation exercise and the current edition includes 'should' and 'must' requirements, which is self-explanatory as well as 'apply' or 'explain'. The emphasis throughout was that good governance should be part of the whole notion of being a trustee and should not be considered as an optional extra.

- [Charity Governance Code \(NCVO\)](#)

NCVO's Charity Governance Code developed out of the recommendations of the Deakin Commission in 1994 which was the independent body set up by the National Council for Voluntary Organisations (NCVO). Its aim was to provide a vision for the sector up to 2004. The Code developed outside the government legislative framework and over the years has grown, developed, and been refined. The latest version was refreshed in December 2020 and is now in its fourth iteration. Like CC3, it was essential reading for trustees and stated 'Good governance enables and supports a charity's compliance with relevant legislation and regulation. It also promotes attitudes and a culture where everything works towards fulfilling the charity's vision' (p.1).

The Code was deliberately aspirational in tone. Like SORP 2 at its inception, it stated that it is 'not a legal or regulatory requirement' (p.1) but 'sets the principles and recommended practice for good governance' (p.1). Rather than running parallel with the current legislation, its aim was designed more to add to the process. It assumed that organisations were already legally compliant and encouraged trustees to continually develop and evolve their governance procedures. Furthermore, it encouraged reference to the Code in Annual Reports (TAR) as a mark of good governance procedures but accepted that of the seven principles

developed will not apply to all charities. The Code was designed to add an extra layer of governance within the sector similar to the CC3 document.

The review indicated that there were two aspects to this material.

1. The evidence suggested that the guidance material developed additional themes relevant to good governance that were not originally included within the legislation. Examples being issues in respect of diversity and leadership as well the role of the Chief Executive.
2. Further evidence suggested that some themes introduced within the regulations were then developing further in the guidance material. Examples included accountability and transparency themes.

With an awareness of this background, table 4 below indicates the governance themes that have emerged.

*Table 4. Review topics – governance themes.*

<b>Review topics - governance themes</b>		
Theme 6	Knowledge and experience. (Including training and development)	Charity Governance Code - Principle 5 (minor reference).
Theme 7	Board effectiveness	Charity Governance Code - Principle 5.
Theme 8	Organisational performance and purpose	Charity Governance Code - Principle 1 (one reference) and Charity Commission CC3 (One reference).
Theme 9 *	Chief Executive	Charity Commission CC3 (two references).
Theme 10	Diversity	Charity Governance Code - Principle 6.
Theme 11 *	Leadership	Charity Governance Code - Principle 2.
Theme 12	Risk	Charity Governance Code - Principle 4.

\*In the analysis section theme 9 (Chief Executive) and theme 11 (Leadership) were combined.

The legislation documentation espouses a ‘must and should’ attitude conducive with all published legal codes and was essentially very binary. The guidance was more developmental which aimed to inspire and encourage trustees to strive for better and improved governance procedures. As stated above, what the evidence appeared to suggest is that some of the material from within the legislation was picked up and then further progressed within the guidance. An example included the themes of compliance and financial accountability (from within the legislation) which are then advanced and developed within the guidance under the heading of board effectiveness. Further crossover appeared to exist between the Public Benefit requirement within the legislative code together with organisational performance and purpose theme from within the guidance. These two particularly seemed relevant to each other. Finally, as will be discussed later, the legislation never specifically mentioned training procedures although throughout the document it alluded to the requirement for knowledge and experience. Within the guidance there was evidence that both knowledge and experience together with training and development were both necessary and highly desirable. Table 5 below indicates the developed themes derived from the legislation while the following table 6 lists themes derived from the guidance material.

*Table 5. Governance themes from legislation.*

Theme 1	Compliance issues
Theme 2	Financial accountability
Theme 3	Organisational Transparency
Theme 4	Fund-raising
Theme 5	Public Benefit requirement

*Table 6. Governance themes from guidance material.*

Theme 6	Knowledge and experience. (Including training and development)
Theme 7	Board effectiveness
Theme 8	Organisational performance and purpose
Theme 9*	Chief Executive

Theme 10	Diversity
Theme 11 *	Leadership
Theme 12	Risk

#### 4.12 Theme 6 - Knowledge and experience

Despite the lack of specific comment about training, the concept of knowledge and experience featured extensively within the regulation and the governance material. Examples included in publication CC3 under section 5 where it stated that trustees should ‘act responsibly, reasonably and honestly. Under Principal 3 it mentioned the concept of integrity and stated that boards should always act with honesty whilst ‘adopting values and creating a culture which helps achieve the organisation’s charitable purposes’ (p.12). Furthermore, it also stated that ‘Trustees should maintain the respect of beneficiaries, other stakeholders and the public by behaving with integrity, even where difficult or unpopular decisions are required’ (p.12). These quotes from both publications give an indication as to the extra layer and the iterative nature of governance that they are trying to reinforce. What it also indicated was that sometime there was overlap between themes with both the above comments also being linked to trustee behaviour. It also showed that what had developed was a legislative system that was very prescriptive and precise while other systems had encouraged trustees and other stakeholders to take a much wider view and be aware that good governance was both far reaching and immersive.

The implication from both these themes is that trustees were expected to develop experience and knowledge and therefore by implication to achieve this they needed to be well trained although as stated this is implied more than stated.

- **Training and development**

The Charities Act 2011 made no mention of training or development of either trustees or staff. A wider search via NVivo of the previous Acts back to 1960 also showed no evidence that training, and development were considered important or indeed, relevant. Similarly, when considering CC3 there was no specific references to the topic despite ‘knowledge and understanding’ being alluded to throughout the document. An example of this is when trustees are expected to have ‘in depth knowledge and experience.’ Examples included:

1. Manage your charity's resources responsibly. (p.20)
2. Act with reasonable care and skill. (p.26)
3. Reduce the risk of liability. (p.32)

These statements suggested that there was an expectation that charity trustees would have a certain level of competence and knowledge to fulfil the roles expected of them. Nowhere in the document was there comment on the formal training or development of these trustees. Further analysis showed that there were expectations that trustees would 'act with reasonable care and skill' (p.5), would 'ensure the charity was accountable' (p.6) and 'avoid mistakes' (p.9).

A comparable situation was also evident within the Charity Governance Code. Again, no specific reference was made to training but there was, like CC3, an emphasis on trustees having acquired knowledge and experience. Reference to training was included in Principle 6 but only with a cursory comment in respect of diversity issues. Specifically, section 6.3.1 stated that 'the board periodically takes part in training and or reflection about diversity and understands it's responsibility in this area' (p.20). Furthermore, in section 6.4 there was a recommendation that trustees should receive regular training to ensure they 'recruit diverse trustees' (p.22). There was no other mention of training or development. Despite this silence, both documents implied that if good governance was to be achieved then this was a critical area that required development. The review gave the impression that formal training of trustees and senior managers was desirable but that it would occur automatically as 'on the job' learning within a well-developed and fully functioning board. Other implications that can be inferred was that there is an expectation that trustees would be recruited fully trained from external organisations. This was always going to be difficult to prove but the term 'well developed and fully functioning' implied specific knowledge already gained.

#### 4.13 Theme 7 - Board effectiveness

Board effectiveness was a wide topic which covered a variety of different aspects of their work and within the legislation, board compliance, was a major factor that has grown and developed since the original 1960 Act. Yet within the first governance document CC3, while there was some reference to trustees and boards, the analysis indicated that board

effectiveness does not feature as a specific topic. Reference was made to the role that trustees play and their relevance (all section 3, p.7) but the function and effectiveness of the board as a specific subset gains no mention. An NVivo word search revealed that the term 'board' is mentioned on only five occasions whereas 'compliance' featured just once. Similar analysis of the term 'control' showed it is mentioned eleven times, but further analysis showed that these were specific to financial controls and budgets. No mention was made from the perspective of board function.

By comparison, the Charity Governance Code (CGC) had multiple references to the subject. An overarching comment stated that 'The board works as an effective team, using the appropriate balance of skills, experience, backgrounds and knowledge to make informed decisions' (p.17). Throughout the document phrases such as 'board attitude,' 'board actions' and 'board performance' featured. The Code develops 'Principles' which are akin to chapters and Principle five (p.18) dealt with board effectiveness and develops four main recommendations. They were expected to work as an effective team (5.5), to review Board composition at regular intervals (5.6), to oversee appointments (5.7) and to continue to develop (5.8) by monitoring and analysing on a regular basis their own performance. This was clearly linked with behaviour and skills which leads to training and development issues which had already been reviewed. To compliment this the document further encouraged trustees to ensure that there is the right mix of skills and experience through an effective recruitment process.

The guidance publication considered the role of the board and its many functions, as being critical to the effective running of any charity and lays emphasis on its organisation and development. The Governance Code suggested that a critical part of any charitable organisation was the role that both the board and the trustees play in the running of that organisation. An effective and fully functioning board according to the governance material was deemed essential for good management and by implication, good governance.

#### 4.14 Theme 8 - Organisational performance and purpose

Document CC3 was silent on organisational performance although one reference is made to financial performance (p.37). This was in section 12 which referred to charity officials and

their roles and specifically related to the work of the treasurer, where financial performance was viewed as critical. Trying to define 'organisational performance' proved difficult as it was viewed from several different perspectives ranging from finance to objective setting and goal achievement. A review of these concepts indicated no reference to either within CC3. The Governance Code was also silent on 'performance' with just one reference within Principle 4 (p.15) which viewed decision making, risk and control. Item 4.6 stated that the process should be 'managed and monitored' (p.16) which was then referenced back to a 'functioning and effective board.' Other terms included 'working with senior management' (p.16) to ensure plans, budgets and objectives were achieved, 'deciding on appropriate performance measures' (p.16) as well as 'deciding on external benchmarking techniques' (p.17). Organisational performance is a topic that did not feature whereas under Principle 1 (p.8) there was a review of 'organisational purpose'. Considering the evidence, the two concepts were clearly linked and this part of the Code concentrated on making sure that trustees do not lose sight of the main purpose of their charity as defined by its objectives. What it showed was that to achieve any form of good governance there had to be a fully functioning and well-developed trustee board, aware of their charitable objectives and the ways that these can be achieved. This was an example of themes being developed both within the regulation and the governance documentation.

All the above themes have been included in both the regulation as well as the guidance material and there was a degree of linkage between them although this does vary. The following themes were specifically included only in the guidance and therefore are additional aspects of governance that have developed outside the legal requirements.

#### 4.15 Theme 9 - Chief Executive and Theme 11 - Leadership

Having reflected on both the role of the Chief Executive and the topic of leadership it was considered that the two concepts were so linked it was appropriate to review them together. Fadhil (2013) states 'Successful charities have influential and productive trustees working closely with the CEO' (p.53) which would suggest that a close and important relationship exists between the two roles. Leadership will also form an important part of this association and both CC3 and Governance Code intimated that this would allow the board to develop and grow and hopefully make the charity a success. This was the role the Chief Executive was

expected to foster and encourage and therefore good leadership skills would form part of this relationship. It can be a powerful and significant role within the dynamics of any board structure and given this inter-relationship, it was appropriate to consider these topics as one single entity. But as Cornforth and McMillan (2016) state 'there has been relatively little empirical research on the relationship between chairs and CEOs (Chief Executive Officer) in the non-profit sector' (p.950).

Analysis of the Charities Act 2011 showed that there was a single reference to Chief Executive. This was in Schedule 1 section 5.1 which relates not to registered charities but to the organisational development of the Charity Commission itself. It stated that it was essential to 'appoint a Chief Executive.' There is no other mention throughout and nothing in respect of leadership. In CC3 there were two references to the role of Chief Executive. The first was in relation to staff and volunteers in section 7.2. This warned trustees to check that anyone appointed to the role was not disqualified or barred and the paragraph then included a variety of reasons why certain appointments would also be deemed illegal. The next reference was in 12.2 which reflected on the role of the Chair (p.24) and concluded that they were likely to be responsible for line managing the Chief Executive on behalf of the trustees (p.37).

Similarly, within the Governance Code there was not one specific reference to 'Chief Executive' although there were two additional mentions of the role of the Chief Executive Officer (CEO). Despite this apparent omission, principle 2 (p.10) was devoted entirely to leadership and at the beginning stated that 'strong and effective leadership helps the charity adopt an appropriate strategy for effectively delivering its aims' (p.10). The idea was further developed by the inclusion of three items of recommended practice. They are:

**Leading the Charity.** There was an expectation of trustees providing consistent leadership to ensure that 'the board and individual trustees take collective responsibility for its decisions. (p.10).

**Leading by example.** This was to ensure that the trustees' values were consistent with the charity's purpose and always in the best interest of the organisation. Furthermore, there was a desire that the 'board provides oversight and direction to the charity and support and



constructive challenge to the organisation, its staff and the most senior member of staff' (p.11)

**Commitment.** Noted an essential component of good governance. The guide expected trustees to be committed and to devote sufficient time to 'fulfil their duties and obligations in the correct manner.'

At first these recommendations appear odd since specifically they are correct analysis of what a Chief Executive should do but the Code implies that these should be followed by all the trustees. The reason behind this probably reflects that most charities do not have a Chief Executive. Cornforth (2001) states 'many small organisations without paid staff do not have a chief executive' (p.221) so the guidance was directed more towards leadership by trustees, rather than appointed managers. If this was a correct assumption, then the implication is that all trustees should adopt these roles to ensure that charity objectives were achieved. The emphasis was on trustees working together as a group and providing a powerful incentive for all to act in the most appropriate manner for their organisation and therefore by implication provide good governance. What was notable is that the emphasis to act (in an appropriate manner) is placed on the board and therefore by implication, the trustees.

The Charity Governance Code dedicated a substantial proportion of its recommendations to leadership issues. Whilst there was little reference to the term Chief Executive or CEO, there was straightforward evidence that if the trustees as a group were to be effective then the leadership provided by them would be a key element to that development.

#### 4.16 Theme 10 - Diversity

Diversity as a topic was first included in the 2020 revised version of the Charity Governance Code under Principle 6 which was now entitled 'Equality, Diversity and Inclusion'. The Code had four recommended stages as to how boards should aim to be more diverse and by implication, inclusive. Stage one dealt with their current level of understanding of the topic. Stage two was developing plans for inclusion followed by monitoring and then finally publishing the results. It was an inclusive and embracing development aimed at ensuring the

membership of the board attracted the best people for the role but also ensured that the trustees were aware of issues in respect of their service users.

Neither the Charities Act 2011 nor the CC3 document made substantive reference to either inclusion or diversity as a topic. There was one reference in the 2011 Act in part 1 subsection 3.1 (h) which formed part of the definition of charity. The reference dealt with a description of purpose and states that 'the advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity' (p.2) are a charitable purpose. There were no other references.

A diverse board would be assumed to provide a wide area of understanding and knowledge and allow it to reach its full potential which by implication included the development of good governance. As regards service users, trustees with specific knowledge of issues and problems pertinent to the objectives would also allow good procedures to develop. As an example, reformed drug addicts on boards of charities with objectives dealing with drug rehabilitation would bring their own experience to that organisation.

#### 4.17 Theme 12 - Risk

Risk as a general topic was virtually absent from the legislative material with no specific reference within the documentation. Charity Commission document CC3 was more forthcoming with over 40 references to the subject. As well as a variety of comments in respect of avoidance, awareness and techniques there was a complete section (7.1) devoted to its management and this was subsumed under the heading of 'Managing Resources Responsibly'. The Charity Governance Guide also had a substantial section on both the avoidance and the management of risk. Under the heading of 'Decision Making Risk and Control' the document covered in detail aspect of assessment and management. The emphasis being firmly on the actions of the Board as well as individual trustees. Interestingly the document also stated under 4.3 that the board should 'promote a culture of sound management of resources but also understands that being over cautious and risk averse can itself be a risk and hinder innovation' (p.14). The idea that being overly risk averse can also cause problems for a charity board.

#### 4.18 Conclusion

This chapter has sought to review both charity regulatory documents and guidance material to consider themes relevant to good governance. The analysis has shown the following:

- **Greater demands being placed on trustees.**

The various Charities Acts have concentrated on compliance and regulatory issues which have increased significantly during the period from 1960 to date. The first considered legislation indicated there was little guidance, regulation, or expectation of trustees. Yet with subsequent statutes this has changed and there are now significant demands on trustees which often require an understanding of complex and involved administrative issues, particularly finance. As noted, the Charities Act 2011 had 19 chapters and over 350 sections which trustees require knowledge of.

- **More information and greater transparency**

There is now an expectation that stakeholders as well as the public and regulators will be provided with detailed and often complicated information which sometimes requires professional help to develop. This applied particularly to those that, because of their size and income, must be audited by a qualified accountant. Even smaller organisations may require an independent examination of accounts which is just short of a full audit. The original SORP in 1988 comprised of 28 pages and 3 sections but the current 2015 version is more complex and now demands more information and disclosure.

- **Development of the regulatory body**

The analysis showed how the development of the main regulatory body, the Charity Commission had taken place. In the 1960s their influence and control was minimal but as the Charity Commissioners evolved into the Charity Commission, the subsequent legislation has concentrated more power and authority to the new body. The 2011 Act showed this had developed into a full-fledged regulatory group with significant overseeing powers and that, in extreme cases, had the authority to intervene in charitable administration and sometimes take full administrative control. This development has also seen the setting of key objectives which were overseen by the relevant cabinet minister. In Scotland, the Office of the Scottish Charity Regulator was established in 2003 but over the years that too has developed and

evolved very much like its English counterpart. It now performs a range of functions in relation to charities within its jurisdiction.

- **Governance themes**

Themes that have emerged from this review can be categorised into the following aspects:

1. Those based on rules and compliance and as shown, the legislative material exclusively stressed these. Good governance was seen to be achieved through compliant action where it was either right or wrong. It was binary and highly prescriptive where failure to comply indicated poor governance. Aspects of good governance when defined by legislative documents therefore developed a unitarist or narrow perspective which concentrates on compliance, rules, monitoring, and control.
2. Within the guidance material, governance issues were viewed from a much wider perspective with examples being board composition and function. Also, board role and leadership were discussed at length. These measures were more subjective and less specific but often concentrated on the interaction of groups of trustees and how they worked together to achieve their organisational objectives. There was an emphasis on governance development over time and the material concentrates on wider issues and takes a less unitarist view and more pluralistic perspective. Particularly, the Governance Code encouraged boards to work together as a team and develop training regimes for both trustees and some senior managers. These issues were less binary and good governance was not seen as either right or wrong but more as a development process by which governance would improve as factors change.
3. There was some evidence of an overlap of themes between both the regulation and the guidance material. Particularly relevant was the issue of training and development which was described as an overarching theme. What was also evident was that several themes were developed exclusively within the guidance material which were considered separately.

This analysis indicated the complexity of attempting to define and understand what makes for good governance and the themes developed are unlikely to be exhaustive. As an example, Cornforth (2001) reviews governance and includes concepts such as Resource Dependency Theory which includes ideas such as boundary spanning and securing resources critical for the organisation.

What has emerged from the evidence of this review is the presumption that greater rules would automatically equate to better governance. The development of the legislative process since 1960 had suggested that the intention of successive governments had been to improve the governance within the charity sector with an increasing number of rules and regulations. Trustees must now work within a more developed regulatory environment which has run in parallel with the development of the Charity Commission. From the benign organisation it was in the 1960s to the 2022 version with a regulatory function, the change has been significant. This analysis suggested that as the legislation has developed and matured it has taken on a more unitary perspective in which trustees had less freedom and therefore the desire for a more pluralistic governance role has been stifled. As indicated in chapter two, the greater regulatory function had not prevented several high-profile failures which in turn had damaged public confidence (Hind, 2017). Indeed, the Charity Commission now conduct regular surveys as part of their defined objectives to gauge this. The last one being published in May 2020 (Populus, 2020).

The tone and the direction of some of the guidance material (not the legislation) suggested that there may now be a move towards a more pluralistic style of governance procedures.

As a reminder the aim of this chapter has been to consider the first research question and throughout this analysis the aim has been to develop key themes that were common to both sets of documents. Table 7 below indicates these themes and their source.

Table 7. Summary of proposed governance themes.

Good governance themes		Source
Theme 1	Compliance issues	Legislation and guidance
Theme 2	Financial accountability	Legislation and guidance
Theme 3	Organisational Transparency	Legislation
Theme 4	Fund-raising	Legislation
Theme 5	Public Benefit requirement	Legislation
Theme 6	Knowledge and experience. (Including training and development)	Legislation and guidance
Theme 7	Board effectiveness	Guidance
Theme 8	Organisational performance and purpose	Guidance
Theme 9	Chief Executive	Guidance
Theme 10	Diversity	Guidance
Theme 11	Leadership	Guidance
Theme 12	Risk	Guidance

Having established and developed these themes from the relevant documentation, chapter five will move the narrative forward and concentrate on the findings and results from the trustee interviews.

## 5. Interview data presentation.

This chapter was designed to consider the data that had developed from the interviews with the nominated trustees. The overall objective being to consider the second research question:

- How are charity boards responding to this environment and what effect has this had on their governance work?

### 5.1 Sampling rational

As the research title aimed at considering governance within English and Scottish charities the selection criteria was obviously based on these geographical locations. Only registered charities were included and this was confirmed by checking the relevant regulators website. No unregulated charities were used and the selection criteria was based on declared income with the aim being to consider both small organisations as well as large ones. Income levels were again confirmed via the relevant websites. Because of the national lockdown due to covid restrictions the number of charities chosen was smaller than had originally been intended but still represented an appropriate analytical group. At the time all these charities were in good standing with their relevant regulator and none were overdue with required documentation. There were no outstanding investigations at the time (that were in the public domain) and none have been instigated since.

Much of the research was conducted during 2020 and 2021 when covid restrictions were in place and this limited the ability to conduct these interviews face to face as was the original intention. Fortunately, much of the preparation had already been completed before these restrictions occurred and it was therefore possible to conduct them virtually via Zoom.

The interview phase of the research was aimed at considering the individual participants views on charity governance. Chapter three stated that the research method adopted a neo-empiricist approach with an interpretivist mode of engagement using qualitative methods. Lodico, Spaulding & Voegtler (2010) consider this to be 'a bottom-up approach to knowing, in which the researcher uses observations to build an abstraction or to describe a picture of the phenomenon that is being studied' (p.10). Subsequently, the interview data was developed through an inductive process of review and further review where the trustees interviewed

represented charities of various size and composition. The relevant charity details were included in table 8. All the participants were either chairs (c) or ordinary trustees (t) which is reflected in final column of table 8 below.

This study conducted thirteen interviews with eleven trustees of which four were also chairs. From table 8 the three visual impairment charities were represented by one trustee who was on all three boards. The three charity boards were not related to each other, but this trustee's personal circumstance had encouraged him to become involved with them. Following a review of the data after the first round of interviews had been completed, it was considered that more information relevant to SORP and financial matters was required. Therefore, further interviews were conducted with the original trustees from Education 2 and Elderly 1 and 2 and this made a total of thirteen interviews carried out during the data gathering exercise. The interview questions are included in appendix 1. Each participant was provided with an information sheet with details regarding the thesis (appendix 3) together with a consent form that they were asked to sign. This is reproduced in appendix 4.

Table 8 provides details of the charities involved with this thesis while table 9 provides details of the income bands as referred to in column 3 of table 8.

Table 8. Charity details.

Charity	Trustee	Income band	Registered	Trustees	Listing	Alias	Chair/ trustee
a	1	b	1974	12	Elderly care and welfare	Elderly 1	t
b	2	d	1946	10	Elderly care and welfare	Elderly 2	t
c	3	e	1963	17	Children and Youth	Children 1	c
d	4	a	1998	9	Education and training	Education 1	c
e	5	b	2007	7	Education and training	Education 2	c
f	6	a	2017	9	Human rights - refugees	Rights 1	c
f	7	a	2017	9	Human rights - refugees	Rights 2	t
h	8	a	2020	4	Social welfare	Social 1	t
i	9	f	1962	17	Visual Impairments	Visual 1	t
j	9	c	1963	11	Visual Impairments	Visual 2	
k	9	c	2003	6	Visual Impairments	Visual 3	



Table 9. Charity income bands.

a	£0 to £100,000
b	£100,00 to £500,000
c	£500,000 to £1,000,000
d	£1,000,000 to £110,000,000
e	£110,000,000 to £120,000,000
f	>£120,000,000

In accordance with the chosen methodology, the data was collected, recorded, and immediately transcribed so as not to lose any implication or nuance. The next stage of the process was to rough code it into various topic groups to capture and develop the ideas that flowed from these interviews. By using NVivo software together with Microsoft Excel it was possible to condense these into several areas that were felt to be relevant to governance issues. At this early stage, some specific topics were becoming clear particularly in respect of trustees matters and board function. There was an awareness during this process to try and avoid any subjective assessment and collate the data on a purely objective assessment. At this stage it was decided to put the data to one side and allow for a period of reflection.

After several days, the audio was re-examined and the final coding structure and development was commenced. As a reminder these rough codes had been developed from the NVivo software which had been used as a method to analyse and highlight the initial data. This was subsequently downloaded into Microsoft Excel where use was made of the detailed content search and reporting feature. This allowed for the generation of a variety of different topics as demonstrated in table 10. As indicated, there was still a large number together with a certain degree of overlap and it was decided that these needed to be further condensed into specific topics. The colour coding method used (as indicated) was seen as a simple way of achieving this and by combining these topics into specific groups allowed the research to be carried forward. This proved beneficial in building a comprehensive picture of the main areas and whilst colour coding may be considered somewhat low tech it did allow for an easy and efficient way of collating the large amount of data that had been developed.

Table 10 below gives an indication of the colour coded groups of themes.

Table 10. Colour coded groups of themes.

Appraisal	Group cohesiveness	Staffing
Board chair purpose	High calibre people	Stakeholders
Board cohesiveness	Income generation	Strategic Plan
Board meetings	Membership	Success
Board preparation	Objectives	Trustee
Board problems	Outward looking conference	Trustee appraisal
Charity Commission	Policies and procedures	Trustee guidance
Collegiate boards	Post covid	Trustee recruitment
Conflict	Risk issues	Trustee relations with staff
Diversity	Risk policies	Trustee role
Employees	Role of trustee	Trustee skills
Employment	Service users	Trustee training
Funding	Shadow board	Trusteeship
Governance	Staff issues	

By using this established collating method, it was possible to develop the following governance topics which were later able to be analysed. It should however be noted that there was a significant area of overlap for some of these which often stretched over different subgroups. An example being conflict which is included in governance and leadership but was also relevant when discussing diversity issues. The same applied to this same topic as data from these interviews showed that this was also an issue within board structure. The aim within the following analysis has been to include items where it was considered appropriate but with the proviso that they may also be relevant to other topics within the discussion and analysis.

### 5.1.1 Trustee matters

Analysis of the above suggested that trustee recruitment, training and development were specific areas commented on by the interviewees. This included aspects such as appraisal, recruitment, training, roles and skills together with relations with staff.

### 5.1.2 Diversity and inclusion

Closely linked to board function and often overlapping was diversity and inclusion which generated much comment. Other included elements where issues relating to shadow boards, outward looking conferences as well as diversity as a main substantive issue.

### 5.1.3 Board function.

The way board meetings were conducted and their preparation together with any issues was another developed theme which also included meeting preparation, problems, purpose and cohesion.

### 5.1.4 Leadership and governance including conflict.

Leadership and governance were specific topics that were developed from within these interviews. This included related aspects such as policies and procedures, dealings with the regulator and post covid recovery all of which were mentioned at the interview stage. Conflict was also an overlap topic.

### 5.1.5 Financial accountability

Finance was also revealed as an area together with items such as funding, income generation and membership. The analysis also included aspects relating to SORP and other regulatory issues.

### 5.1.6 Risk and staff issues.

The final collated topic was risk which was mentioned and included related issues such as staffing problems and reputation.

## 5.2 Governance

At the start of the interview process, all the participants were asked a general question about what they considered to be the main elements of governance. It was designed as an open question with the results as shown in Table 11 below:

Table 11. Trustee understanding of governance with percentages.

<b>What do you understand by the term governance?</b>	
<b>Governance topic</b>	<b>Percentage</b>
Policies and procedures	44.44%
Discipline	15.28%
Knowledge and experience	11.11%
Constitution and structure	6.94%
Guidance	5.56%
Skills and training	4.17%
Roles and budgets	2.78%
Accountability	2.78%
Involvement	1.39%
Honesty	1.39%
Right people	1.39%
Transparency	1.39%
Accurate reports	1.39%
	100.00%

Unsurprisingly there were a wide range of views as to what was understood by this term. Whilst such topics as policies, procedures, knowledge and experience were mentioned, other individual terms also emerged. Examples included finding the right people together with aspects such as honesty and transparency. Having established this, it was therefore appropriate to consider the following:

- Within the academic community, it had been shown that a unifying and conclusive definition of good governance was unlikely (Andrews 2010; Hyden, Court, and Mease 2004; Kjær 2004; Leftwich 1993; Smith 2007) and the evidence above appears to concur with this view. A comment from Cornforth (2004), quoted extensively throughout this research, encapsulates this view. He states that ‘given the complexity of governance, the search for a unifying grand theory is unlikely to prove fruitful’ (p.12-13).

- As noted in table 11 above, governance was seen to comprise of a mixture of rules and regulations together with policies, procedures, knowledge and experience.

### 5.3 Analysis of data

The next stage was to consider in detail the main topics as developed from the collated details above. These are as follows:

- Trustee matters
- Diversity and inclusion
- Board function
- Leadership and governance (including conflict)
- Financial accountability (including SORP)
- Risk and staffing.

### 5.4 Trustee matters

The evidence suggested that trustee matters was an involved and complex area as indicated in table 10 (page 106). The issues covered a wide range of aspects such as appraisal, guidance and training and several other specific areas. The following was an attempt to analyse these topics in a concise and appropriate manner via the following sub themes:

1. Trustee recruitment,
2. The role of the trustee and
3. The skills and knowledge required.

These topics form the basis of this next stage of this thesis.

#### 5.4.1 Trustee recruitment

The participants in this research indicated that trustee recruitment was a dominant issue and trustee #5 from the Education 2 charity provided a typical example. He expressed concern about engaging the right people with the requisite skills but he and his board had between them established a unique recruitment method. They had developed a skills-based audit procedure with the aim being to correlate the needs of the organisation with the skills of the

individuals. This was a one-off system that appeared to have been imported from a previous employer:

*'I started off with a model that we brought from xxxxx (previous employer) and then we built on it that reflects the aims of the strategy of xxxxxx (new charity).'*

*'(the skills audit) showed where we have strength and depth and where we have gaps and where we have specific skills skill sets that really ought to recruit for in the future.'*

Source: Education 2. 10 February 2021

This was a complex model outlining the strategic requirements of this charity and was aimed at ensuring that newly recruited trustees had the necessary skills to enable it to achieve its stated objectives. This board was attempting to marry organisational objectives against individual skills and ensure that the right mix was attained. It was unique within the interview group and there was no mention within any of the guidance documentation as to the need for such a complex procedure. There was some evidence that this idea had been imported from a previous commercial employer and it seemed that the trustees were selecting people based on actions that would aid the charity and allow it to achieve their purpose and overall objectives. This was a specific approach but there were other comments that indicated that a more relational tactic was also being adopted:

*'We look at people with the right background or an interesting background'*

*and*

*'...people who maybe able to help us in terms of funding'*

Source: Education 2. 10 February 2021

As these comments were all from the same charity, it would suggest that in respect of recruitment of trustees they were adopting a form of multiple screening technique but it was uncertain as to whether these were from a personal perspective or part of an accepted wider board view. Whatever the thinking, their actions seemed to be based more on a functional fit approach rather than personality or background. Here this board (either individually or as a group) were adopting a more 'boundary spanning' technique common within resource

dependency theory. Cornforth (2001) defined this as the co-optation model where resources were secured for the benefit of the group. What they seemed to have developed was effectively a twofold trustee recruitment plan. First, they were hoping to recruit new trustees who were able to add knowledge and skills to the organisation via their developed skills matrix, but they were also trying to recruit trustees who could develop additional benefits which in this case was access to supplementary funding.

In respect of this last issue there was evidence that this was not unique. Trustee #8 was from the Social 1 charity, and he had been encouraged to join the board as a new member. Whilst he was not able to discuss the organisational recruitment process, since he had only recently joined, he was able to comment from his own experience. His background was from working within the private sector and he had a well-developed knowledge of both finance and charity objectives. His initial view was:

*'I was nonetheless joining a pre-existing board.'*

and

*'I was quite intimidated by it.'*

Social 1, 26 February 2021

He was concerned that the recruitment process appeared to be a casual affair. He was told:

*'Come to a meeting, see how you feel.'*

Social 1, 26 February 2021

From an analytical perspective this was a difficult comment to consider as it was not possible to interview other members of the board or review their organisational procedures. However, it gave the impression that the trustee recruitment methods adopted were based on informal contact and relationships rather than specific recruitment policies. Granovetter (1995) discovered that, within his Boston study of professional men who had changed jobs, a large proportion of those jobs had been because of informal contacts. His work also showed that there had been little discernible negative impact on organisational performance. Granovetter and Marsden's (1996) review states 'Information leading to most job changes moved through personal contacts rather than formal channels' (p.894). As regards this charity, there was

evidence that personal contact and informal methods were also being used to recruit trustees to the available posts. So, was the aim to recruit individuals because of their perceived knowledge and experience or was it a way of simply adding more people to the Board through informal networks? It was impossible to surmise but there was some indication later when the interviewee joined the charity:

*'The other people on that board - somebody runs a small charity themselves as a Chief Executive. Someone is an immigration lawyer, a human rights lawyer, and somebody deals with policy and immigration.'*

Social 1, 26 February 2021

This participant had explained that he had a well-developed knowledge and experience gained from a commercial environment of which he considered would be beneficial to this charity. The evidence would therefore suggest that his appointment was because of this expert knowledge and skills and his earlier comment about a casual approach had been misplaced. Far from being casual this was an organisation that appeared to be trying to recruit new trustees with rounded knowledge and experience to join their established board through informal methods similar to that as noted by Granovetter (1995). The evidence suggested that this was an established method of recruitment by this charity to ensure that they had the right skills mix to achieve their organisational objectives. It would also suggest that some form of pre-screening had already taken place at some point prior to their approach with the aim being for them to recruit a suitably qualified individual to complement their board structure and therefore add to their pool of knowledge and experience.

Further evidence suggested that issues in respect of trustee recruitment was prevalent with other groups. Trustee #6 from Elderly 2 charity explained some of the problems that they had endured. This was an organisation dealing with social care for the elderly within a specific geographical area yet despite an extensive search, trustee recruitment had proved difficult. Because of this, they had decided to adopt different procedures. First, they were attempting to retain the trustees they already had.

*We've seen four trustees depart and our current chair should also be departing.*



*I think she's just finding who's going to replace her, and she wanted to hand pick new trustees, which I'm not too keen on.*

Elderly 2, 15 February 2021

Then second, they were resorting to a more direct approach:

*But in regard to the trustees, that was all through word of mouth, through people knowing someone who knew someone.*

Elderly 2, 15 February 2021

This participant recognised that this was not an ideal solution to what was proving to be a difficult problem. The board however took the view that after an extensive search, which had proved fruitless, they were left with little alternative but to try and.

- retain the trustees they already had, and
- continue to use more informal methods to try and recruit new ones.

Elderly 1 charity was one of the smaller groups and their objectives were to deal with social care. These trustees were fully aware of the need for a rotation of trustees, particularly for good practice but like Elderly 2 they were struggling to recruit and so were trying to retain the ones they already had:

*The people who are, you know, very good trustees with long term memory are doing very, very good stuff. So why should you throw them off?*

Elderly 1, 8 February 2021

This view was compounded by the structure of the charity. It was a small group and comprised of several trustees many who had been both ex work colleagues and personal friends. They accepted that recruitment was difficult and as the comment indicated, they were being forced into retaining trustees. Whilst it was not stated and can only be deduced, this was also a cohesive trustee group from a common employer, and they appeared keen to remain as this unified and interconnected group.

#### 5.4.2 Summary

The evidence suggested that these interviewees were very aware of the need to recruit suitably qualified trustees, to both join their respective boards and to assist in achieving their organisational objectives. They were, however, adopting different methods to achieve this.

Education 2 was using a very precise, functional fit approach with a skills matrix, trying to match the needs of their organisation to the experience and knowledge of the individual. Despite being a very targeted and structured approach, they also indicated that they were recruiting individuals who they considered would be able to bring additional benefits to their charity. In this case to provide access to funds. Social 1 charity was more relaxed in their approach and much less structured and it was later revealed that the board was already populated with several professionally qualified people who, as it was demonstrated, appeared to have experience in depth. The new trustee stated:

*'I think this was one of the great paradoxes I found with the charity sector, which is that in theory, things are much more regulated and stricter. There's a structure and things you do. In practice things are quite casual.'*

Social 1 26 February 2021

Coming from a regulated commercial background, this interviewee was of the view that the charity sector would be similar. What he discovered was a much more informal structure than he was expecting although he accepted that it was still a narrow-based conception built on rules and regulations. The good governance issue within this scenario is not how the recruitment was done but whether the charity was able to fill the board positions with suitably skilled and knowledgeable people, committed to their objectives and aims. This leaves open the question of whether good governance is attained through a formal method of trustee recruitment or as in this case, a more informal method.

Within several of the smaller groups there was a recognition that recruiting new trustees was an important issue and that a rotation was helpful to bring in new ideas and concepts. Yet the comment about 'why throw them off?' suggests that perhaps whilst there was an

understanding of the benefits to be gained there was also a reluctance to alter the status quo within some groups when faced with recruitment problems.

The governance issues within this debate arise out of whether a formal or informal approach provides better governance in respect of recruitment. The evidence would suggest that both groups were trying to ensure that they had the correct knowledgeable and skilled people on their respective boards but were developing different ways of achieving this. The suggestion would be that so long as these charities were able to recruit suitably qualified trustees whether by formal or informal methods then either method would be seen as a form of good governance. Clearly a formal method would be the most desirable method but as indicated, if an informal method worked then this too would be viewed as appropriate and in line with good governance.

#### 5.4.3 Trustee role

The role of the trustees was an element that was commented on by several trustees during the interview phase. An example was as follows:

*One of the potential tensions and things that I found perhaps tricky is what do you pay for and what do you expect to be done voluntarily in general within the organisation?*

*If you could find really good, committed volunteers, you might not need to pay people.*

Rights 2, 2 March 2021

Like the evidence that developed within the previous section, this trustee had a desire for board members to have both knowledge and experience:

*So, I was very much the expert on the board. And I was quite happy to be in that position because of the skills I have.*

Social 1, 26 February 2021

And along similar lines:

*I realised that my experience because I then was quite an experienced trustee with xxxx, could make a difference in helping them move forward.*

Visual 2, 15 February 2021

The discussion was broadened to outline the roles trustees were expected to cover, particularly the specialised ones dealing with legal and compliance matters. Within the interviews, compliance as a term was rarely mentioned but nevertheless all the participants were aware of their legal and financial responsibility. However, the discharge of this obligation varied between the groups and for several of the smaller ones, it was a process that ran infrequently in the background when dealing with the Regulator.

*'With them, it is just a case of accounts, trustees annual return and that's it.'*

and

*'just because of those things you do each year, and we've never had any issues with them.'*

Source: Visual 2, 15 February 2021.

*'So, on the whole, I regard them as a group that runs in the background (the regulatory body) who I have to talk to once a year.'*

Source: Rights 1, 26 February 2021.

Both comments were from two of the smaller groups where their relationship and interaction with the regulatory authority was minimal. Nevertheless, they were considered fully compliant as they did what they were asked and submitted when requested.

For other more complex groups, this responsibility often appeared difficult given the knowledge and experience required and, for some, the way to deal with this was to leave it to others. Several trustees explained that in respect of accounts and other formal documents, they were content to leave these to other 'expert' trustees. They were either unable to deal with these items individually or did not feel they had the requisite skills.

An example was from Elderly 1 charity where the interviewee admitted that collectively the board's knowledge of accountancy and other compliance issues was poor. Anything relating to this was simply passed to another trustee who was:

*'An ex-accountant who provided wise counsel on all these matters'.*

Source: Elderly 1, 28 February 2022.

This ex-accountant was also part of a financial subcommittee comprising of other trustees from the board who were guided by this one qualified person. The question then arose as to whether this individual was effectively acting on their own, but this was later discounted when the subcommittee structure was explained. What it suggested was that within this charity, anything complex or involved was simply passed on this deemed 'expert' group who then reported back to the main board via the established subcommittee.

This desire to defer to experts was evident in another interview with the charity, Education 2. They were a small group but had achieved much since their registration in 2007. In respect of financial matters, the interviewee admitted that such items were dealt with by external accountants who it was accepted had the knowledge and expertise required. In respect of other compliance issues, particularly safeguarding matters, this trustee was content to deal with such issues in house because they felt there was:

*'experience of such matters, already on the board'*

Source: Education 2, 8 March 2022.

#### 5.4.4 Summary

This stage of the analysis reviewed how trustees were dealing with their role within their organisations. As indicated, some were prepared to deal with issues individually or as a group whereas others were finding different ways to deal with some complex issues, particularly finance. Examples included the first group who dealt with this internally via a finance subcommittee while the second used external paid experts. Whilst there is nothing untoward with such action, it does suggest that some trustee groups were finding different and novel ways of fulfilling their role within the organisations that they represented. The evidence

would therefore suggest that some trustees were aware of their individual limitations and chose alternative ways to ensure their organisation remained compliant within the legislation.

#### 5.4.5 Trustee skills and training.

The data gathering exercise showed that within this group the level of trustee training varied significantly. Some were involved and very committed to such schemes, while others were less so. An example of the former was demonstrated by the Children 1 charity.

Trustee #3 had been recruited from the commercial sector and had a significant amount of financial knowledge. As a new trustee, he explained the training he had received on appointment.

*'Yes, so within the xxxxx there is (training) for the trustee. You know fiduciary duties, for which we must be very clear and continually trained. But there's also a DBS that we must have clearance. We must have and what one of the risks is to do with safeguarding so it's mandatory that we all do undertake. Safeguarding, training and do a test which is a real trauma.'*

Source: Children 1, 3 February 2021.

The objective of this charity concerned children and young people's education and primarily there was a need for specific legislated training to cover child protection issues. This was different from a voluntary training scheme where the aim would be to improve and develop individual trustee performance. Here aspects such as fiduciary duties and other trustee training were implemented primarily at the start of each trustee's tenure. But as stated training regimes did vary between these groups.

An example was trustee #7 whose charity (Rights 2) had been registered for less than five years and was still in the process of developing and implementing a training structure. The interview showed an awareness of the need for such a scheme, but it was coupled with an acceptance of the limitations:

*'I went on a half a day once which was helpful.*

But relating to the specific trustee role.

*There's quite a lot of (personal) learning as you go along.'*

Source: Rights 2 charity, 2 March 2021.

Trustee #6, also from Rights 1 was specifically asked how much training they had received?

*'I would say it's limited, and it also has its limitations.'*

Source: Rights 1, 26 February 2021.

*'It is an important thing to do because people become charity trustees through various routes, and they don't necessarily come with a well-developed understanding of what it is they're doing.'*

Source: Rights 1, 26 February 2021.

There was an awareness of the benefits that such training could deliver and despite the obvious limitations they insisted that they were working towards a fully functioning scheme. It was seen as an on-going work-in-progress and it was viewed positively as a way of encouraging all trustees to improve their skills and develop their knowledge. There was also an emphasis on online training although some were reticent:

*'I thought I would be slow, but I am supporting online (training)'*

Source: Rights 1, 26 February 2021.

This was a small charity with limited resources but the idea of online training was fulfilling a need to improve these skills given the financial constraints they were facing. It was later revealed that as part of their initial grant funding exercise, they had been the recipient of funding for basic training from a commercial high street bank. This was part of their corporate and social responsibility and whilst the training was not dependent on the funding agreement, it was nevertheless designed to cover basic setting up and other regulatory issues. It was deemed to be a governance review although effectively it was basic level trustee training covering elements of regulatory control. This was the first time that this had been noted and

was also the first evidence of a charity funding agreement being tied in with online training supported by a financial organisation.

*'It came through the xxxxx grant process and xxx who was talking to them, and they said, 'we will give you a grant, but we think a grant for a governance review would be a good thing for you to do''.*

Source: Rights 1, 26 February 2021.

Overall, there was a general level of support from this group for training methods and there was also an understanding and recognition of the benefits that could be accrued. However, the data also revealed evidence that some charities were taking trustee training to a much higher level by developing their own appraisal routines. This was viewed as a method to develop trustee skills and was often used as an additional aspect of their overall training policy with some positive comments:

*'Yeah, I think it really is a very good thing.'*

Source: Children 1, 3 February 2021.

And

*'There is clearly a potential benefit because without it you've got no assessment of how well you're doing.'*

Source: Rights 1, 26 February 2021.

Visual 2 charity had completed some trustee training but currently had no follow up appraisal review. Despite this, there was an acceptance that this could be beneficial since recently, their organisation had been involved in a complicated regulatory investigation that had involved a significant amount of committee and board time.

*'It's very important actually, and you know, I think if we had proper appraisals, I think we might have seen this problem coming.'*

Source: Visual 2, 15 February 2021.



Although some groups were adopting such techniques, and considered them to be useful, there were others who were yet to be convinced. Elderly 1 charity, whilst aware of their use, felt that for their small group, little would be gained.

*‘Some charity bodies are going down that route at the moment but that’s not for us.’*

Source: Elderly 1, 8 February 2021.

#### 5.4.6 Summary

The interview data indicated that within this group, training and development issues were viewed from a positive perspective from which both the organisation and trustee individuals would benefit. What became evident was the difference between these groups in respect of how much training was considered appropriate. Some, either because of resources or time, simply conducted basic level training while others went a stage further and were developing involved and complicated appraisal techniques. This frequently looped back into their training cycle so that the process became one of continuous training, improvement and reinforcement.

While the data indicated that these training techniques varied between groups, the question of whether more involved training, and in some cases appraisal techniques, leads to enhanced governance is open to conjecture. The alternative narrative is to question whether little or no training equates to inadequate governance procedures? This is perhaps a comment that is far too simplistic since at no point does any of the documentation suggest this to be so. However, what the data does suggest is that some groups were developing training routines and procedures for their own benefit, based on experience gained from inside and outside the sector. Some were basic, often just dealing with simple regulatory matters while others were more advanced and developed.

#### 5.5 Diversity and inclusion (including board function)

Diversity and inclusion as a governance theme attracted a significant number of comments. It was also an issue that many of the interviewees had specific views on but within the participants there was an acceptance from some that diversity as a topic that required more work.

*'The xxxxx operates for young people and on the board, we were, at one stage, largely white, middle-aged men.'*

Source: Children 1, 3 February 2021.

Children 1 charity was a national group operating throughout England and Scotland. Their service users were all young people aged under 16 and the above comment suggested that the board were already aware of the need for change and were prepared to implement it. As part of this, there was a desire to include service users onto the trustee board but there was already an identified problem-

Mindful of this and aware that it was not possible to include service users under this age, this charity aimed to progress their idea by developing a separate advisory board. Known as a shadow board it was intended to work, liaise and advise with the main trustee body in all aspects of its work and discuss anything relevant to their service users. These trustees were fully aware that this had no specific legal authority and could only ever act in an advisory capacity. However, after an involved search, several young people were identified, they were encouraged to join and subsequently worked alongside the main board.

*'We had a shadow board, and this was made up of much younger people who then met each month. It was facilitated by one of the trustees.'*

Source: Children 1, 3 February 2021.

From the beginning, the governance logic and the thinking behind the idea was already running into problems. Initially there was a genuine desire to widen the governance remit and ensure that the board was more representative of the sector that it served. Yet because of the existing legislation, this was still a top-down, unitarist governance approach with power still retained within the trustee group. Whilst it was considered appropriate to take note and listen to the shadow board, it was only ever going to be able to act in an advisory capacity with no legal authority and by implication, power within the charity group remained as was. Any suggestion that this development would indicate a move towards a wider, more pluralistic logic proved false since power, authority and ultimate control were still retained within the properly constituted and legally constituted, trustee body.

*'Ultimately the check and challenge will be with the non-exec team (trustees) who have the fiduciary responsibility for that organisation.'*

Source: Children 1, 3 February 2021.

Aware of these ongoing issues, this charity persevered and proceeded with the development of their shadow board. But the problems continued:

*'The shadow board would be invited to update the (main) board, but it wasn't a good experience.'*

Because

*'More often than not, that the person who attended was overawed by the people on the actual board.'*

Source: Children 1, 3 February 2021.

What was originally considered to be an adroit idea, designed to get closer to service users and encourage diversity, was not achieving the stated objective and there was evidence to suggest that a rethink was required. It was discovered that to expect inexperienced young people to interact successfully with an established board (often with much older people) was expecting much and these young people were being overawed by the situation they had been subjected to.

*'It's quite a daunting experience'.*

Source: Children 1, 3 February 2021.

Conscious of the problem and aware that it was not achieving its aims, the trustees decided to reform their idea and work towards an alternative solution. The decision was taken to scrap the shadow board completely and, in its place, expand the number of places on the main trustee board by two. Both were then specifically reserved for representatives of their service users. This meant that these places were filled by young people who were over the minimum legal trustee age and their designated role (within the trustee board) was specifically to represent the views of their service users and act as conduit for innovative ideas.

*'We advertised and were very lucky to have two extremely high calibre young applicants for the role. And (they) made quite a difference to the discussion. Within the board meetings there is an enormous difference and it's raised our game.'* Source: Children 1, 3 February 2021.

Despite the initial problems and the inability to develop a fully functioning shadow board, this trustee group finally settled on a less radical approach by appointing new trustees similar to the age range of their service users. The new appointees were tasked specifically to represent their peer group, allow their views to be heard and advise the board accordingly on any relevant matters.

I was interested to determine whether this move towards greater inclusion was the result of either specific legislation or guidance material that had prompted this move. The interviewee was unsure but did say that the change had been the result of a board initiative. He stated:

*At one stage, the board comprised mainly of white, middle-aged men. That is definitely not now the case and there was a move over the last year through our development work.*

Source: Children 1, 3 February 2021.

The evidence would therefore suggest that there was an awareness within the board that change was required to diversify and the make of the board more representative of their core service group. By their actions they had proactively sought to achieve this by using designating board positions as reserved for a disenfranchised group. This could be interpreted as a nod towards a more pluralistic perspective since the voting powers together with powers of participation within the board had been devolved to a significantly wider group. Furthermore, the evidence would also suggest that this had been both impactful and made a positive difference to the running of this organisation. This wider trustee group was finally, after a poor start, allowing greater participation for specific groups that had previously been marginalised and in the process moved towards a slightly more pluralistic governance ethos.

The interviews and data capture with the Children 1 charity took place in the spring of 2021 and at the time the idea of social responsibility and action by young people was receiving

much media attention. Most of it was focussed on the 24-year-old footballer, Marcus Rashford (BMJ, 2020)

*'They can relate or what they've seen, so it's Marcus Rashford's and his initiative to provide meals for, you know, for school kids is motivated by his experience.'* Source: Children 1, 3 February 2021.

This board had shown its desire to be inclusive of marginalised and disadvantaged young people. Previously it had been suggested that published guidance material had been one of the motivating factors behind this drive but the issue with Marcus Rashford and the publicity that his campaign generated could also suggest that this board was aware of and reacted to current events and news items rather than simple regulatory changes. The significance of this could point towards good governance being driven by external events which in this case revolved around a high-profile footballer who achieved media coverage.

The relevance of diversity issues and the desire to encompass wider groups of service users also generated comment from another participant. Education 2 charity said:

*'The objectives of the of xxxxx are to encourage children aged 8 to 13, (but that's flexible) to aspire to a) attend University and b) develop a lifelong love of learning'.*

However, resources were limited:

*'it's only having two permanent employees. It's got a pretty good name, but it's very, very small.'*

Despite these limitations this trustee was pleased with its development:

*'The one thing that I liked about it from the off was that it punches above its weight.'*

Source: Education 2, 10 February 2021.

To add background, this was a young charity having first been registered in 2007 where the board comprised of just seven trustees. During the interview, trustee #5 was asked whether

it was felt that there was a need for a more diverse and inclusive trustee body if their educational objectives were to be achieved. However, this had already been put in place and had developed from an unusual source:

*'I'm used to running an annual conference where we stand up and tell all the people in front of us who know all about it what we're doing. We tell them everything they know. Every conference I've been to with a xxxxxx is very inward facing and it doesn't look outside itself. Hardly at all.'*

However:

*'Last October, before the lockdown, the conference was just a joy. It was fantastic. It didn't refer to us at all and it wasn't about us at all, it was other people coming in and telling us what they do that may be of interest to us. All manner of people and bodies came in and taught us those really, fascinating things that educated us.'*

Source: Education 2, 10 February 2021.

This was a very different conference format and the interviewee (being a new trustee) was genuinely surprised at the structure of the event. This participant had been recruited from a highly regulated commercial and financial environment and this conference was one of the first events he had attended. Effectively, what was witnessed was role reversal with the trustee board listening to the participants (some of whom were also stakeholders) reflecting on their interaction and involvement with the charity. Instead of lectures from the podium, this conference had a trustee board that was not delivering to an audience but was listening to both their service users and other stakeholders.

*'All manner of people and bodies came in and taught us that really, really fascinating things that educated us.'*

*'It's so much more interesting and so much more value adding than us telling us ourselves about ourselves.'*

Source: Education 2, 10 February 2021.

*'I think it was planned that way by the executive team and the only role that they took was to introduce each speaker. So, I assume that's what they intended, that we were going to hear what other people had to say about the sector that we were operating in, rather than telling us what we already knew about.'*

Source: Education 2, 10 February 2021.

Trustee #5 recognised this was a very different format and his comments indicated that he was genuinely surprised with the delivery and the feedback received. As a relatively new trustee, he had not been part of the conference planning but was aware from colleagues that it had been carefully thought through as a deliberate policy procedure. The executive team had developed it and were keen to listen to their stakeholders with the overall aim of being to influence and guide their future development.

From a governance perspective the legal powers were unchanged, but the evidence suggested that there had been a 'reversal' of the 'power of voice' within this conference. This was important since it changes who has the narrative and represents a power shift even though the legal powers and controls are exactly as before. The evidence suggested that the board slipped in to 'listening' mode rather than 'telling' mode which changed the narrative and could be seen again as another nod towards a more pluralistic style of governance. These movements were slight and did not indicate any development of power outside those who already held it and therefore control was still vested within the main trustee body. The decision-making power remained as was but the agenda setting aspect of power was temporarily switched to the beneficiaries. Lukes (1974) considered this power relationship between groups together with the ability to develop and influence decisions. Here the trustees were still ultimately responsible for governance and retained that role. Nevertheless, their actions and the evidence from the interviews, suggested that they were keen as a board to encourage stakeholders (in this case, young stakeholders) to be more actively involved with the charity and encourage diversity.

Events later in the interview suggested that this charity wanted to capitalise on this development. Trustee #5 revealed there was still a desire to encourage more stakeholder involvement because:

*'They bring a different perspective to the trustee body.'*

Source: Education 2, 10 February 2021.

And this idea had been developed from an unusual source.

*'Off the back of an item on BBC Breakfast News about three weeks ago on a Saturday morning, which featured five 20-year-olds who are about to complete their time at university and what they do and how they see the world and where they're going to go next. And there was one girl on there who was compelling. Came across very, very well.'*

He added.

*'She had in her short time at university persuaded them to offer an extra scholarship to black and minority ethnic applicants which obviously follows up on our remit to do that. And she wanted to carry on in that sort of role once she had graduated and I thought she'd be a fantastic person to just have a relationship with and use her and others like her to get closer to our target audience.'*

Source: Education 2, 10 February 2021.

This was like the evidence presented earlier where the board of children 1 charity reacted to the news agenda in respect of Marcus Rashford. This small charity was very aware of the need to get involved at a different level with their service users and they were prepared to try different and often unconventional methods to achieve this. Again, they seemed to be reacting to external factors and the evidence would further suggest that they were moving from a single stakeholder to a multistakeholder board. This would again suggest another tacit nod towards a more pluralistic style of governance. Yet as before, the strict legal powers remained with the normal trustees. As they stated, they were trying to:

*'Get closer to our target audience.'*

Source: Education 2, 10 February 2021.

The data analysis indicated that they were not unique in attempting to develop diversity within their service users and trustee boards. Rights 1 charity was first registered in 2017, had



the objective of providing aid to refugees and to deal with human rights issues particularly with asylum seekers. Their board was small with just nine trustees. During the interview, trustee #6 stated they had been tried to encourage service users onto this board but with various mixed results.

*'We recruited two people, one of whom has got a lot of experience working in the voluntary sector'.*

Source: Rights 1, 26 February 2021.

One was an ex-service user and it had been hoped that this recruitment would allow the charity to become more aware of the issues their clients faced.

*'She's from xxxx and is a recent arrival in xxxxxx in the last five years and is a very keen volunteer when the drop in (centre) is running. She is really pleased to be involved, but I think she's only been to about two or three meetings so far, suspect slightly overwhelming.'*

Source: Rights 1, 26 February 2021.

There was a general acceptance that this was a difficult role to fill.

*'We do our best and xxxx is extremely good as a chair. You know to make sure that she understands what's being said and all of that. And we try and avoid all the acronyms and things that you can get drawn into. But she's doing fine.'*

Source: Rights 1, 26 February 2021.

The data suggested there was a parallel here with the problems that were reported with the Education 2 charity where service users had been effectively overwhelmed by the workings of the board. Yet this refugee charity persevered.

*'We've been on the lookout for people who have firsthand experience of the asylum immigration process.'*

But interviewee #6 accepted the basic premise of being a trustee:

*'They still actually got to understand the role they're coming to and be able to function in it. And I would say that that has been more challenging for at least a couple of cases.'*

Source: Rights 1, 26 February 2021.

The last part of this comment indicated that there had been more than one attempt to recruit to the role. An ex-service user who had been granted the right to remain in England, was encouraged to become a trustee but in the intervening period found full-time employment. Like other trustees in other charities, the demands of work meant he was subsequently unable to fully commit to the role.

*'And I would say that that has been more challenging for at least a couple of cases.'*

Source: Rights 1, 26 February 2021

The problem had also been compounded by the lack of technological training and understanding of issues. It also indicated the scale of cultural challenges that this charity faced.

*'So, one of our trustees, who comes from an asylum-seeking background and knows how this might remain, and technologically was not very competent and also was trying to hold down a not very well-paid job which makes quite a lot of demands on his time.'*

Source: Rights 1, 26 February 2021.

The evidence indicated that that his charity had faced significant issues in their desire to make their organisation adopt a broader and more diverse board. Similar issues were noted by another charity.

Elderly 2 charity was involved with dementia care and trustee #2 was a new member of the board. The charity was trying to recruit new and experienced individuals to develop their services for their client base and service users:

*'We have had many discussions on this and that I try to be open to that idea.'*

Source: Elderly 2, 15 February 2021.

This was part of a wider trustee recruitment drive, but it also encompassed a desire to ensure greater participation. Due to the nature of the illness, together with other issues, particularly in respect of family involvement, this proved to be a challenging task. Service users were either unwilling or more likely, unable to participate and families often did not wish to become involved in what the charity accepted was a stressful and challenging time.

*'We had discussions of this area, but it was difficult and challenging. With dementia care this is not possible to do.'*

*'Do you open it up for family members?'*

*'This was always difficult to do.'*

Source: Elderly 2, 15 February 2021.

The trustees became aware that trying to integrate service users and families in such difficult circumstances was always going to prove problematic. Whilst the idea was eventually abandoned the trustees did introduce a regular service questionnaire for all client families to try and become aware of the needs of those in their care. Whilst this was not an ideal situation, given the circumstances, it was a useful attempt at some form of integration.

### 5.5.1 Summary

The evidence would suggest that some of these groups were attempting to ensure greater diversification both within their boards and with their service users. It is unclear as to whether this was a response to the governance guidelines or, as in some of the cases, a reaction to both media coverage together with a desire to connect with their target group. There had been mixed success but it demonstrated that some of these boards were prepared to try innovative ideas to develop greater diversification to benefit not just service users but also the trustee board itself.

In terms of governance structure, none of these boards devolved any significant power or authority to any other stakeholder group. Legal control still resided within a narrow group at the top of each organisation but the evidence showed that several had moved to a multi stakeholder arrangement and the others had been given agenda setting powers to their conference beneficiaries. This implied that some of these groups were at least prepared to

allow some form of increased stakeholder involvement within their organisational structure which suggested that there was a particular nod towards a more pluralistic governance style taking place within these groups.

### 5.6 Leadership and governance (including conflict)

The evidence suggested that the interviewees also considered the role of the individual trustee as an important component of good governance. The analysis had already considered their recruitment, their training and their development as well as the individual roles adopted. The interview data did indicate some issues relating to board conflict and it was felt appropriate to consider these in terms of governance issues. The data suggested that such conflict was of concern for some of the participants but there was strong research evidence to suggest that conflict does not always necessarily equate to poor practice. Collins (2001) considers this in detail and concludes that high levels of conflict are often evident within high achieving organisations. He states that the issue is whether the conflict is personal, which is deemed to be destructive or whether it is related to organisational issues which Collins (2001) states can be both productive and beneficial. Furthermore, in respect of this research data, consideration was also given as to how these issues were resolved and how the chair dealt with this given that they are deemed responsible for the smooth running of their boards. Van Puyvelde, Brown, et al. (2018) state ‘we argue that besides resolving conflict, building consensus, and reaching compromise, the chair needs to be able to (a) foster an environment that builds trust among board members designed to ensure that boards worked together’ and ‘encourage board members to frame and discuss strategic questions’ (p.1307). Because of the importance of the role and the responsibility that it entails, these two aspects have been merged for this analysis.

Dealing first with conflict and the aims of the Elderly 2 charity were dealing with elderly social care and dementia. Trustee #6 was new and because of his business knowledge and experience, he had been asked to join the board. He stated:

*‘I was looking to attend the first board meeting as an observer and not as a trustee and I’ve never witnessed the car crash, that was their meeting.’*

Source: Elderly 2, 15 February 2021.

The conflict centred around trustee and management roles:

*'The trustees were behaving like an executive team, and they were dictating to the management team what they can and can't do, but even down to the micro level.'*

Source: Elderly 2, 15 February 2021.

And as an example, some of the issues were trivial:

*'It needed a new television in the reception area, I think it's going to cost £600, and the Chief Executive had to come to the board and ask'.*

Source: Elderly 2, 15 February 2021.

The evidence suggested that this was conflict of a personal nature and Collins (2001) states that this type could, if left unchecked, become destructive. The data evidenced an undermining of trust between both management and trustees who appeared to be trying to govern and manage at the same time. This conflation of roles centred around 'who was in charge' and evidence showed that this was already causing issues. There was also an indication of inappropriate behaviour to staff.

*'When the Chief Executive wasn't able to give a straight answer then various trustees (would) go on a personal attack'.*

Source: Elderly 2, 15 February 2021.

Further evidence of conflict was revealed within another interview which was as a direct consequence of this boards desire to develop greater diversity. The wider issue has already been considered but this desire for greater diversity created another problem which resulted in issue-based conflict which can sometimes be framed as productive.

Children 1 charity dealt with children and young people and had developed, after a few setbacks, a method of successfully integrating service users into their trustee board structure. As a further development, the trustees decided to invite an expert on children's issues to join and it was intended they would use their expertise to both progress the charity and act as a link between young service users and trustees. Such an expert was found, they accepted the

role and subsequently joined the board. However, whilst it is accepted that one of the roles of any trustee is to persuade other members on specific issues, in this case strong personalities surfaced. This person had:

*'a forceful personality and had the ability to swing the board one way or another on an emotional level.'*

Source: Children 1, 3 February 2021.

Other specific issues emerged over time some of which involved employed staff.

*'And xxxxx had absolutely swung that board (over a specific issue)'*

Subsequently.

*'Staff had written a petition against the trustees to say they had no right to do this (regarding this issue)'*

*'And so, then there was fallout within the board and the chair.'*

Source: Children 1, 3 February 2021.

The desire by the trustees to ensure the board was more representative of its services users had now developed issues that involved both the board and paid staff. This culminated with the board chair resigning:

*'xxxxx took it very badly that the staff had criticised the trustee Board.'*

*'He finished his term a bit early actually and we never saw him again.'*

Source: Children 1, 3 February 2021.

Other resignations followed, one being the dominant and disgruntled trustee which subsequently left a depleted board. The remaining members, as a way of dealing with the problem decided that these urgent issues needed resolution if further damaging consequences were to be avoided. At this point there was no permanent chair as they had already resigned.

*'And we sort of vowed without tacitly saying that that we wouldn't be manoeuvred into making those types of emotional decisions again.'*

Source: Children 1, 3 February 2021.

The interviewee referred to 'emotional decisions' and 'distress caused' and from the evidence there were indications that the board had been pushed into making decisions by threats of resignations and withdrawals by the one dominant individual who eventually resigned.

This had clearly been a difficult situation for this board to resolve particularly as they were keen to diversify and encourage service users. Referring to Collins (2001) this type of conflict did appear, from the evidence available, to be organisational based rather than on an individual level and therefore it could be viewed as both beneficial and developmental. The interviewee later commented that lessons had been learnt and in the following year when another controversial decision was put to the board, they felt more confident to deal with it: *'We've also invested in group development training as a board so last year we undertook a trustee development session.'*

*'Actually, we felt comfortable in taking different views and it was with vote 6 to 4'.*

Source: Children 1, 3 February 2021.

From a governance perspective, this was the sort of issue that was effectively a power battle as referred to by Lukes (1974) Theory of Power. For these trustees, the positive aspect that emerged was that they were eventually able to resolve other issues in a more structured and developed way and the suggestion was that democracy within the board had helped to resolve this conflict. Part of the problem in both cases was that the board chair had also decided to resign, which created more problems in an already difficult situation. This was both unusual and unfortunate, but it can be argued, particularly in the second case, that had the board chair intervened earlier the conflict may have been avoided. Brown (2007) considers in detail the practices and competencies required by trustees for these organisations to function effectively. He states, 'Obtaining competent and capable board members is vital' (p.302) which in this case gives an indication as to the pivotal role that the chair can play within the dynamics of the board structure. To develop this further the topic was broadened to consider the issue of leadership. Cornforth (2001) when considering these states 'It was felt that this person was likely to have a good knowledge of the board and be more dispassionate than other role holders would be' (p.221).

Trustee #8 was involved with three visual impairment charities. Visual 1 and visual 2 were national organisations while visual 3 was much smaller. Whilst reviewing the first one he stated:

*'A lot of leadership comes from the chair, but this does vary'.*

Source: Visual 1, 15 February 2021.

Whilst not wishing to be critical of his trustee colleagues, he did indicate that leadership and the functioning of charity boards was often dependent on the chair's individual personality.

*'The previous chair was much more of a consensual person and who managed to bring the organisation forward in a very positive way.'*

But there were problems later:

*'The other guy that followed was not so consensual really. He had his ideas and told people what to do. Sometimes they did it and sometimes they didn't.'*

Source: Visual 2, 15 February 2021.

Furthermore, there had also been a change within the board structure which, because of the ongoing issues, included a new chair:

*'then we got a new one and there it was much more of a consensual board I think, but it had more of a sort of figurehead as a chair.'*

Source: Visual 2, 15 February 2021.

How trustees interact and more especially how boards function is an important aspect of any charity governance. As indicated by trustee #8, leadership and guidance from the chair can prove to be critical to this relationship.

Such 'effective leadership' was evident from the interview with trustee #6. He had been instrumental in the formation of this charity taking it from an unincorporated voluntary group into the registered entity it had become. He was extremely specific as to what was involved:



*'I take very seriously the role of the trustees and my role as chair.'*

*'(I do) try and anticipate all this stuff and think about it.'*

Source: Rights 1, 26 February 2021.

He further stated.

*'It means people like me who, you know, have a lifetime of doing committee stuff.'*

Source: Rights 1, 26 February 2021.

Whether this 'lifetime' of committee work would equate to good governance was difficult to analyse but from the interview the evidence suggested that he was very much in charge providing strategic leadership for the organisation but also aware of the need for constituents to be involved. Specifically, he was trying to encourage more people onto the board and import and develop their experience for the benefit of the organisation.

*'We've been on the lookout for people who have first-hand experience of the asylum immigration process.'*

Source: Rights 1, 26 February 2021.

*'An important issue that then arises, as with recruiting anyone by just one criterion, they still actually got to understand the role they're coming to and be able to function in it.'*

*'And I would say that that has been more challenging for at least a couple of cases.'*

Source: Rights 1, 26 February 2021.

When pressed on the 'challenging' comment it emerged that there had been some problems with these appointments which he was concerned about.

*'she's very able youngish woman with a young family with professional background in their country of origin. But she has no experience of trusteeship and how it works in the UK.'*

*'(another trustee) is technologically not very competent and holds down a not very well-paid job which makes quite a lot of demands on his time.'*

*'we're meeting remotely and he's not being able to access meetings for the past year.'*

Source: Rights 1, 26 February 2021.

Trustee #6 was both knowledgeable and in charge to ensure that the charity remained both legal and compliant. The issue of recruiting more trustees was viewed as an issue which he was keen to resolve. The impression gained was of a forthright chair with knowledge and experience but the position was further reinforced with the help of the board Secretary. She worked closely with the Chair and appeared to have a shared view of governance.

*'It's a structure that means that that you can work together basically and how a broad idea about who's doing what and how you capture this decision.'*

Source: Rights 2, 2 March 2021.

All the evidence suggested that she was supportive of her colleague and there was indication that they worked closely together:

*'We go through the agenda, and we think about what's cropping up.'*

*'He drives the thing but I'm another pair of ears.'*

*'And there's a concern that is certainly the Chair wasn't well, or, you know, couldn't come or couldn't participate in some way that there was somebody else who could.'*

Source: Rights 2, 2 March 2021.

The evidence suggested that these two trustees worked as a team and developed the role between them. What was difficult to deduce was whether this was a relationship of equals or whether this role had any influence on the overall governance of their organisation. There was a hint that it could have been a one-sided relationship particularly when trustee #7 stated:

*'I'm nothing like as operationally involved as (trustee #6) is. I mean since he retired, he's taken, you know, a very specific part.'*

Source: Rights 1, 26 February 2021.

How the relationship worked on a day-to-day basis was difficult to quantify but given the relative size of the charity, it seemed to be working well to their benefit. The board appeared

to be unified by these two trustees and they seemed to work in some form of harmony. This provided benefit for the organisation as it had developed from a loose knit group of people to a fully registered charity in a short period of time, certainly less than five years. Much of the responsibility, work and guidance was, because of perceived lack of experience within the trustee body, falling on the board chair. The Secretary stated:

*'I've got quite a few different things I'm doing since I retired and it's not a huge part of what I do.'*

Whereas for the Chair it was quite different:

*'Since he retired, he has taken, you know, a very specific part. I would say he's filling his life more than it's filling mine now by quite some measure.'*

Source: Rights 1, 26 February 2021.

Here most of the procedural work was conducted by the Chair and, to a lesser extent, the Secretary rather than being distributed to the trustees and it was reasonable to assume that both these roles had developed with time as the organisation had grown. The evidence suggested that these two trustees were clearly working together to benefit the organisation but long term this was unlikely to prove sustainable and there was a need for the work to be distributed to other members of the board always assuming that the problems mentioned could be alleviated.

This section started with a review of conflict within groups and as demonstrated there was some evidence as to how they all successfully resolved their issues. Purposely, I have amalgamated the idea of board conflict by including the power relationship entrusted with the Chair. Whilst not suggesting that their role is to always to act as peacemaker, the role itself is specifically designed to ensure that boards worked effectively together.

### 5.6.1 Summary

Trustee behaviour was not specifically referred to in any charity legislation although it did feature within the good governance guidance. From an academic perspective much has been written about trustee roles and board relationships and during these interviews, trustee

behaviour was reviewed and its relevance considered. In respect of conflict, Collins (2001) indicates this is not necessarily a bad or even a destructive activity but it depends on the type. High levels of organisational conflict have been shown to produce improved performance whereas personal conflict between individuals has been shown to be destructive. The evidence here showed that where conflict was mentioned, the trustee groups were able to develop strategies to cope with the issue and created mechanisms to deal with it. It was not possible to interview the other individuals involved so it was therefore difficult to understand and develop other standpoints. Because of this, the data emerged as a little one sided but the available evidence appears to suggest that these boards had learnt from the problems and developed different coping strategies to deal with future issues. Out of the interviewed group, only two trustees mentioned board specific conflict, so any conclusions need to be considered in the light of such a small sample. In the first one, the trustees developed into a more cohesive unit able to deal with future events while the second group instigated systems designed to avoid such problems in the future. In both cases, the issues encouraged trustees to develop improved standards within their individual boards. Reviewing this from a governance perspective, a pluralist approach would consider conflict as normal and productive likely to produce better final decisions, whereas a unitary perspective would view conflict as destructive and damaging for the organisation. What seemed to have happened within these scenarios is again a move towards a more encompassing and wide-ranging pluralistic governance style yet still retaining an overall unitarist ethos.

Brown (2007) specifically looks at the role that trustees play within board scenarios and this was evident with the review of the small charity, Rights 2. The available evidence suggested that this was controlled and driven by both the chair and the secretary who had grown and developed the organisation over a relatively short period of time. This role had helped the group over the previous few years but there was evidence of a desire to develop the role of the other trustees to take on more work. What the data shows is the interrelationship there is between board individuals and the roles they adopt. These examples of conflict and development are small events but do signify the complex inter relationship that does occur within these groups. The conflict referred to seems to have moved the governance ethos towards a more pluralistic style by using the energy created to deal with specific and

organisational problems and by implication improving the governance issues within the group.

What was also revealed was the leadership showed by some of the interviewees. Most notable was trustee #6 from Rights 1 charity who the evidence suggested took his role as trustee / leader very seriously and gave the impression of being very much in charge of the whole group. What proved enlightening was being able to interview his assistant (trustee #7) who whilst clearly very supportive, gave the impression of it being a one-sided relationship. Whilst this is not a major issue it can have implications in larger and more mature organisations. What it does indicate is the important role that trustees play in the group structure of the governing board.

#### 5.7 Financial accountability (including SORP)

Hyndman and McKillop (2018) as well as Morgan (2015) and others have looked extensively at financial accountability within the charity sector. Analysis of the development of the SORP regulations was also reviewed in chapter two. Yet during the initial phase of these trustee interviews, little mention was made of these twin topics. It was infrequently mentioned and there were concerns that this may have been missed or that it had failed to be recognised as an appropriate concept. It was therefore decided to consider this within the second phase of interviews where some evidence of concern started to emerge. As a reminder the data gathering exercise was conducted when all the organisations were closed due to the pandemic so there was an expectation of concern for financial and reporting matters. Some trustees were concerned as regards future viability and this was subsequently broadened out to consider wider financial implications. There was a concern to try and obtain not only their views on funding but also their views on accounts reporting particularly in respect of the Statement of Recommended Practice (SORP). The first analysed comment concerned future viability and trustee #2 from Elderly 2 reflected on this.

*'For contracts with local authorities. That's one major source of our income along with general fund-raising from donors.'*

Source: Elderly 2, 15 February 2021.

Their other source of income was from commercial activity which had also disrupted.

*'(The doors are) closed at our Edinburgh head offices where we have our main cafe facility. which was one of our main income sources.'*

Source: Elderly 2, 15 February 2021.

Another charity (Elderly 1) was not so worried as regards financial viability. He explained that their organisation had been fully funded with a large capital grant at inception and the income generated funded their day-to-day activities which continued throughout the pandemic. They were confident of their financial viability post pandemic but this trustee was then specifically asked about financial reporting procedures particularly in respect of the Statement of Recommended Practice (SORP). As a reminder this was reviewed in chapter four and indicates how financial matters should be accounted for and what format these reports were expected to take. Little mention of this was made in the first set of interviews and there was some concern from myself that trustees may have little or no knowledge of this document. The second set showed this to be a correct supposition. Trustee #1 from Elderly 1 charity stated:

*'I am the wrong person to be asking (about finance) since I have little engagement with SORP'.*

Source: Elderly 1, 28 February 2021.

As stated, this was an investment deposit that was funded specifically by interest generated from the original capital sum. Legislation dictates that this had to be professionally managed and because of this, the trustee's role was simply to fund projects according to their objectives and supervise the investment advisors. The participant revealed that one of the trustees was an ex-accountant working within a finance subcommittee and there was evidence that this charity had, because of its unique structure and funding, been professionalised for several years. These trustees were very engaged with supervising and developing the organisation but the actual day to day work was effectively outsourced to experts because legally a high proportion of it had to be. They were aware of the need to follow and comply with the relevant financial regulations but this was effectively outsourced and their governance

procedure was to manage their investment advisors. This is an example of a specific change in practices because of regulation and suggests that outsourcing, in this case financial matters, was a way to ensure improved governance. To continue, this participant stated:

*'Finance is managed by the auditors and wealth managers'.*

Source: Elderly 1, 28 February 2021.

The next interview developed a similar scenario. Trustee #5 from Education 2 charity said the trustees were aware of and understood some aspects of the SORP regulations. This knowledge was summed up with this first comment:

*'SORP has not changed dramatically in a while.'*

Source: Education 2, 8 March 2021.

However, this awareness and knowledge did not appear to have been turned into active engagement. Like the previous interview, this board relied on external accountants to both prepare finance documents and ensure SORP compliance. The trend seemed to be that some groups were prepared to leave these matters to either external professionals or, in some cases, to expert trustees who were deemed to have the requisite knowledge and experience to deal with these matters. This appears to be a response to regulation whereby these changes have prompted boards to alter the way they deal with these matters and by implication improve their governance procedures. The evidence of good governance from both groups was that they were aware of the need to follow finance or investment rules but both chose to let suitably qualified people, either inside or outside their organisation, to do the work under their instruction. The evidence suggested a correlation between regulatory changes and actions by these trustees with the intention being to improve governance standards. These developments came from an awareness by these trustees that they were not qualified to deal with such aspects and therefore they found people who were.

As regards accountability as a direct comment there was little throughout these interviews although the evidence was that this was an accepted concept. Trustee #6 from Rights 1 was the most vocal by stating that in his view accountability was three-fold. He stated:

- *'There's accountability to the members of the charity who are leading the charity'.*
- *'There's an accountability to the beneficiaries of the charity to do what you say you should be doing' and*
- *"Accountability to the law of the land and the Charity Commission.*

Source: Rights 1, 26 February 2021.

This was from a trustee who in the previous section appeared to be very much in charge of the organisation and aware of the responsibilities that were associated with the role. The suggestion that other interviewed trustees were unaware of their responsibility in terms of accountability would be unfair since by their actions there was much evidence to suggest that their actions were very much so.

#### 5.7.1 Summary

The first phase of interviews at the start of this study produced only a small amount of data in respect of accountancy and finance. Therefore, the idea to revisit this issue proved beneficial since evidence emerged in the second tranche as to how some of them were dealing with these issues. Two of the group were small charities when measured in terms of their income and the evidence indicated that the relevant financial knowledge and experience was not available to them. Hence the need for them to either outsource finance and accounts or to use an internal subcommittee together with an expert and experienced individual. The larger charity, because of their funding was able to utilise the work of paid employees who were tasked specifically with advising trustees.

Finance was clearly an important issue and was interspersed with other governance regulations. Yet it was possible to deduce from the evidence that although little mention was made of these topics, all these groups were already practicing good governance in one form or another since they were all very conscious of their responsibilities. As regards accountability there was evidence that this was taken as a given but as detailed above one trustee had forthright views as to know his organisation was accountable to.



## 5.8 Risk and staffing.

Within the interview group there were three charities, the larger ones, who indicated that they were both aware of risk as an issue as well as having plans in place to deal with problems. Two of these were organisations that had additional regulators with one relating to work with young children and the other to vulnerable adults.

Education 2 charity represented by trustee #5 dealt with the educational needs of young children and all trustees and staff were DBA checked. The risk analysis was divided into two. One was the perceived risks to the children and second was risks associated with the organisation which concerned reputational damage. This was pertinent at the time of interview as the group were attempting to expand their educational service abroad post pandemic and reputation had been identified as a major concern.

*‘Reputation risk is huge for us, and we have one side of the operation which I’m not particularly happy with. We have an international operation hopefully with reputable partners, but even so.*

*‘What they pay us is only £3,000 per territory, which is not lots of reward for the risk that in a far-flung territory, someone does something utterly inappropriate and it still stains the name of xxxx worldwide’.*

Source: Education 2. 10 February 2021.

This had been identified as a significant risk and they were aware of the damage that could ensue if problems occurred. They had in place a risk policy and contingency plans for just such an eventuality but there were additional concerns in respect of the international aspect of the organisation which was going to be internet based.

*‘You have to have a pretty robust way of controlling something that deals with hundreds of thousands of children.’*

*'The security must be utterly spot on and the IT system which is bigger than we currently operate. You know one guy and his desk with the server under the desk. It's quite a transformation needed.'*

Source: Education 2. 10 February 2021.

At the time of the interview the new IT infrastructure was not fully operational and the pandemic was still causing interruption problems, yet this board was already aware of a significant risk they were likely to be exposed to and had developed an effective plan to deal with this.

Elderly 2 and trustee #2 were also conscious of reputational damage. This group operated at the older end of the age scale and dealt with vulnerable adults and dementia care.

*'The main concerns are lost reputation as if a member of staff were stealing from a client. Or in some way there was a high profile of some kind of BBC sting that happened in regard to a member of staff and secret cameras around the staff of stealing things, that.'*

Source: Elderly 2. 15 February 2021

This was a major concern for this trustee and the trustee board were aware of this since there were already operational problems between board and staff. Yet, the charity had in place procedures to deal with such issues. Staff selection was viewed as a potential risk.

*'We do have regular surveys and things.'*

Source: Elderly 2. 15 February 2021

This group were conscious of the relevant risks and their response in terms of regular feedback through surveys and questionnaires was seen as a proportionate and appropriate risk procedure.

Rights 1 Charity was represented by trustee #6 and their objectives were dealing with issues relevant to asylum seekers. Despite being small they already had a well-developed risk assessment procedure.

*'So, we began thinking more about them and clearly in the current situation all our activities are being rigorously risk assessed. We've developed a process which we hope is proportionate to what we do.'*

Source: Rights 1. 26 February 2021

All three charities were dealing with either young children or vulnerable adults where there were existing safeguards in place. Risk awareness as an aspect of good governance only featured in one other interview and like the other two was concerned with reputation. Children 1 charity and trustee #3 also worked within a highly regulated sector dealing with vulnerable children and this group was also conscious of reputational issues and had policies in place. But they had also identified risks associated with the appointment of trustees.

*'when you when you recruit non execs it's a risk it really is.'*

*'You don't know who you're getting and a bad hire. It could have a lasting impact on the organization.'*

Source: Children 1. 1 February 2021

This was a risk that was difficult to guard against and this was the only group to mention it. Yet trustee #3 felt that this course of action was not an option.

*'It could have a lasting impact on the organization and so actually I think it depends on a good chair, a good structure that has a nominations process.'*

Source: Children 1. 1 February 2021

## 5.9 Summary

Risk awareness and particularly how to mitigate this was an issue for several trustees within the group. They were conscious of the problems that their organisation faced and a consistent view from them all was that reputational damage was a major concern. Some groups, because of their client base, were already heavily regulated, and this could indicate why they were already conscious of the risk environment that they operated in. They had policies and procedures in place yet only one trustee recognised that the recruitment of trustees also posed a risk. This omission may indicate that these trustees were aware of the significant risk

issues in terms of reputation and child and adult protection but appeared to be less aware of more mundane problems associated with trustee recruitment and board conflict. In respect of governance, these trustees were following the guidelines as set down in the Good Governance Guide while the actual legislation made little reference to risk as an issue. Whether they were reacting to this guidance or already had the knowledge and experience to deal with such events is open to conjecture. Whatever the reason, the evidence suggests that power and decision making remained within the trustee body operating a standard unitary governance premiss where power and control continued to reside within the trustee group.

### 5.10 Conclusion

The second research question asked:

*How are charity boards responding to this environment and what effect has this had on their governance work?*

The data that emerged from these interviews now forms an integral part of this developing thesis and at this stage there is the following:

- data on governance from both a legislative and guidance perspective and now
- data developed from the interviewed trustees.

Table 12 below compares governance issues between these two groups. There was a degree of synergy between them which is unsurprising since it would be unusual for the trustees to adopt wildly differing governance strategies from the published legislation. However, what it does indicate is the additional actions that some trustees were developing in respect of governance themes. Examples being such topics as training and development where evidence suggested that some groups were developing additional elements such as appraisal techniques. Other examples noted related to diversity issues that were developed and established by some of the trustees.

Table 12. Comparison of good governance themes.

Themes developed from content analysis	Themes developed from interview process
Compliance issues	Compliance issues (board function)
Financial accountability	Financial accountability
Organisational Transparency	n/a
Fund-raising	n/a
Public Benefit requirement	n/a
Knowledge and experience	Trustee training and development
Board effectiveness	Board function (including recruitment and role)
Organisational performance and purpose	n/a
Chief Executive	Leadership and conflict
Diversity	Diversity and inclusion
Leadership	Leadership and conflict
Risk	Risk

### 5.11 Good governance topics

The evidence suggested that governance as a topic was both complex and involved and for some participants it proved to be challenging. Examples included some asking expert colleagues to deal with aspects such as finance and compliance issues or effectively outsourcing some work to external professional groups. Examples being charity Elderly 1 and Education 2 who were devolving accountancy work to, in one case, a trustee subcommittee or in the other, external advisors. The trustees were ensuring that the rules and regulations were being complied with but by agents of the board who were still authorised by the trustees. Given the complex nature of the finance legislation that the trustees were looking for greater experience and knowledge to ensure compliance.

Trustee knowledge and training was also an area where different strategies were being adopted. The evidence suggested that some groups simply did basic level training while others developed strategies that were much more involved and complex. An example was the

introduction of trustee appraisals as well as, in some cases, development sessions. These were established on top of the training regime and were designed to feedback and consider future training needs and this was introduced selectively by some trustee groups within this analysis. It was not referred to in governance documentation but some groups considered that this was an important development that needed to be carried through in their respective organisations.

Diversity was an area where there was also evidence of this 'above and beyond' concept. As a governance theme this had been introduced late in the revised 'Good Governance Guide' of 2020 since there was little mention of it as a governance topic, particularly in the legislation. The aim of the guidance was to encourage greater diversity within trustee boards (Equality, diversity, and inclusion, 2022) and ensure a wider range of individuals with different ideas and views that could be developed. Some of the interviewed groups had developed this over and above what was recommended and some had tried, with varying degrees of success, to broaden the board structure to include service users' representatives. As shown in some cases this had met with problems, some of which had been resolved and others not and the issues created from the development of 'shadow boards' was an important example. The introduction of so called 'experts' onto the board had also met with varying degrees of success.

Risk was a topic that was mentioned by several trustees and the evidence suggested that there was an awareness of the issues and problems relevant for boards as regards this topic. The evidence also indicated how much these individuals relied on each other to work as a group, develop ideas and function as a team. Much academic work has grown along these lines, and Brown (2007) states 'Effective boards are associated with organisations that tend to perform better in terms of both fiscal performance and perceptions of organisational effectiveness. The need for governing boards to be informed, engaged, and effective has never been greater' (p.301). This was not a unique view since other academics (Herman, Renz and Heimovics, 1997 and Jackson and Holland, 1998) have considered that the best performing boards are often the ones where board members are able to demonstrate competent actions. Recruiting the right people was clearly an issue and the evidence does suggest that some of these boards were developing recruitment techniques that varied from

the formal to the informal but in these cases, they were attempting to ensure the right mix of skills and knowledge to ensure that their charitable objectives were achieved.

The evidence from these interviews has developed these and several other issues relevant to good governance and as a way of broadening the debate, these will form the basis of chapter six where the aim will be to provide answers to the third research question:

*What implications do 1 and 2 hold for the way we understand 'good governance' in the regulatory era?*

## 6. Discussion of findings

This thesis considered various aspects of good governance relevant to the English and Scottish charity sector. The three main research questions were as follows:

1. How has the regulatory and guidance environment for English and Scottish registered charities evolved since 1960?
2. How are charity boards responding to this environment and what effect has this had on their governance work?
3. What implications do 1 and 2 hold for the way we understand 'good governance' in the regulatory era?

In chapter two, the literature review indicated there had been and continues to be, significant public debate over what constitutes good charity governance. The topic is highly relevant, given that the charity regulators in both England and Scotland are keen to maintain public confidence within the sector. As also noted in the chapter, there have been some well publicised failures over several years, some of which have included fraudulent and criminal activity and this has created some unwelcome and negative publicity. The sector in both jurisdictions relies heavily on public confidence and such activity, with the ensuing public questioning, has tended to undermine that confidence. Such is the concern that the Charity Commission for England and Wales now sample this on a yearly basis (Public trust in charities 2022: web version, 2022). Given these issues and parameters, the aim of this thesis was to consider the changes that have taken place within the relevant regulatory and guidance documentation and then reflect on how charity trustees have reacted to these changes. The intention being that these two discussions would then promote an informed discussion as to what constitutes good governance and how this can be improved.

### 6.1 Key Findings

Chapter four comprised of a content analysis of both the legislation and guidance material. The keys findings were as follows:



- 6.1.1 The evidence indicated that during the period under review (from 1960) there had been a significant increase in primary legislation relevant to the charity sector.
- 6.1.2 This had become increasingly more complex particularly in respect of compliance and financial issues. There was specific evidence that trustees and others, were having to develop a greater knowledge and understanding of a progressively more complex structure. This indicated that greater demands were being placed on trustees by these changes.
- 6.1.3 The evidence also suggested that there was a greater expectation that stakeholders and regulators would be provided with more detailed and often more complicated information regarding the charity they represented. This tied in with the concept of greater demands being placed on trustees as mentioned in section 6.1.2 above.
- 6.1.4 The analysis also showed the development of the regulatory body that had occurred over the period in question.
- 6.1.5 The analysis indicated that the legislation continued to adopt a unitary orientation in respect of governance based on a principal-agent approach. This reflected similar aspects of governance within the commercial sector and there was no evidence of a significant shift within the legislation of a move towards a more pluralistic positioning.
- 6.1.6 As regards the guidance documentation, the evidence signified a similar increase in the volume of material over the same period.

6.1.7 There was also some evidence of an overlap of themes between both the regulation and the guidance material. Particularly relevant was the issue of training and development which was described as an overarching theme.

6.1.8 And finally, the evidence indicated that this guidance adopted a wider governance perspective dealing with areas not covered within in the primary legislation.

Chapter five documented and analysed the interviews with the participating trustees. The main conclusions were as follows:

6.1.9 On an individual level, they indicated that they considered a variety of different interpretations as to what constituted good governance. This was reviewed at the start of the analysis.

6.1.10 The evidence indicated that their developed aspects of good governance were firmly allied to those of the legislation and guidance material. This suggested that they were keen to follow this material to enable good governance procedures.

6.1.11 The data suggested that these trustees viewed the role of the board, together with the actions of individual trustees as one of these indicators of good governance. Trustee recruitment together with training and in some cases, development were also seen as an important prerequisite.

6.1.12 The evidence indicated that as regards trustee training, some charity boards were developing additional techniques over and above what was suggested in the legislation and guidance material.

6.1.13 Some trustees had worked within the commercial and public sector and there was evidence of them using their developed skills to assist the organisations they were involved with.

6.1.14 The adopted governance within this group was essentially unitary orientation based on a principal-agent approach. Based on an organisational pyramid, these trustees were the controlling group at the top with their influence and control cascading down through the layers. Evidence indicated that sometimes their initiatives failed.

6.1.15 The data supported the view that some charity trustees were keen to diversify their trustee boards to reflect more accurately their service user groups.

6.1.16 There was evidence of an understanding and concern among some trustees in respect of risk and the threats posed to their organisations.

6.1.17 And finally, there was evidence that these additional techniques were developing a more nuanced governance approach developing a less strict unitary style and, in some cases, there was a nod towards a more pluralistic style of governance.

Having established the key findings from both the legislation and guidance material together with the interview data, the next stage was to consider this in the light of the established research questions and provide both insight and answers.

## 6.2 Analysis of legislation and guidance material

**6.2.1 How has the regulatory environment for English and Scottish registered charities evolved over time?**

From a purely numeric perspective, the evidence indicated that there has been an increase in codification since 1960. Prior to this date there was little in the way of legislation relevant to charities other than some specifically related to general trusts. Since then, as the data suggested, there has been a steady increase in primary legislation which has also developed in complexity. The direction of change has seen greater demands being placed on trustees to be compliant. A recent example being the Charities (Protection and Social Investment) Act 2016 which introduced new legal requirements for charities to demonstrate their commitment to protecting donors and the public from poor and unethical fund-raising practices. Since the Charities Act 1960 there has been a greater regulation and protection for these donors and contributors. Principal-agent theory, which is still prevalent within the sector, is concerned with protecting the interests of the principal above those of the agents. Coule (2015) reviews this within a unitarist environment and concludes that principals are normally board members whose main role is to ensure that they are 'safeguarding founders' interests' and 'determining (the) mission and purpose' of the organisation (p.85). This is conducted through agents (normally staff) who are expected to 'act in the best interests of principals ensuring programs, manager's actions and resource allocation is congruent with mission and purpose' (p.84). Caers et al (2006) takes a similar view and states that 'literature often hands the role of the principal to the board of directors, which contracts a manager to run the organization in the interest of the shareholders (or, in the case of a non-profit organization, in the interest of the stakeholders) (p.26). But this relationship has its own problems. Caers et al (2006) insists that the 'principal-agent relationships will be characterized by a conflict between the interests of the principal and those of the agent' (p.26). If unchecked Caers et al (2006) states 'when the agent's behavior is not controlled or restrained, the goals of the principal are unlikely to be attained' (p.26).

The evidence indicated that other legislation over the period had followed a similar direction with another example relevant to finance being the Charities (Accounts and Reports) Regulations 2008. This was enabled by Statutory Instrument and dealt with the financial reporting criteria for charities as demanded by the Statement of Recommended Practice (SORP).

The content analysis detailed in chapter four suggested that the legislation was drafted from a very tight, rule-based perspective. Prior to the Charities Act 1960 there was little in the way of demands on trustees but with the introduction of the Charities Act 1993 this has gradually changed. As an example, sections 41 to 49 introduced a large section on financial requirements which covered specific details about accounts production and how to remain compliant. Another example being the Charities Act 2011 where the legislation devolved more power and control to the Charity Commission to allow them to investigate and suspend trustees. From being a seemingly benign organisation, the Commission was effectively being encouraged by central government to adopt a unique style and culture and one that allowed it to hold trustees to account should the need arise. A similar regime was also adopted in Scotland where the Regulator was granted similar powers to investigate and pursue complaints.

As a direct comparison, the published guidance documentation (particularly the 'Good Governance Guide') adopted a much wider, less prescriptive, less authoritarian approach. Both the NCVO material and some of the Charity Commission material embraced a philosophy that encouraged the development of good governance principles over time rather than strict and immediate adherence to rules. The preface of the 'Good Governance Guide' stated that it was 'not a legal or regulatory requirement' (p.1) but 'sets the principles and recommended practice for good governance' (p.1).

Despite the obvious difference in emphasis, there was little evidence to suggest that the governance orientation of any of these publications was encouraging a more pluralistic governance style. The legislation had already been shown to have adopted a unitary style and was unambiguously instructive to the exclusion of any other governance model. In comparison, the guidance material appeared to be less instructive and was more developmental particularly in terms of aspects such as behaviour of trustees and training issues. Further examination had shown that despite this, there was no evidence to suggest that trustees were being encouraged to develop a more pluralistic and therefore wider style of governance. This is considered further towards the end of this chapter.

Principal-agent theory is instrumental in unitary governance and it was Berle and Means (1932) who developed it during the Great Depression. They deemed that the relationship between owners and managers was affected by divergent interests and their justification of the concept was that governance protects owner interests foremost and not those of managers and employees. Hawley & Williams (1996) view is that 'the central problem in corporate governance is to construct rules and incentives ... to effectively align the behaviour of managers (agents) with the desires of principals (owners)' (p.21). Turnbull (2005) develops this and quoting Berle and Means (1932) states 'the principal functions of a unitary board in a Berle & Means firm is to select, remunerate, direct, monitor, control and retire the CEO' (p.9). The charity sector and its commercial equivalent are quite different concepts with the former based exclusively on profit and shareholder value and the latter based on service and service users with no profit element. As stated above, with charity legislation based exclusively on this principle, then if organisations are to remain compliant trustees have no option but to adopt this governance ethos. This develops and forms the basis of the second stage of the research. If governance documentation was based purely on unitary orientation, then how are trustees interpreting this in their day-to-day work within their organisations?

A quote from Hyndman and Jones (2011) when discussing principal-agent theory suggests that 'this definition is inappropriate for use in a charity. The main problem is that charities are not supposed to provide a financial return to their fund-providers' (p.151). And whilst this is correct in terms of finance, principal-agent theory is not specifically about funding but more about acting in the interest of the principal who may or may not be fund providers. Within the sector this should be seen from a more nuanced perspective since principals can range from resource providers to service users and even lay providers. As noted, Coule (2015) takes the view that, 'boards and managers (are) driven by different interests within principal-agent relationship' and 'primary focus is on instrumental accountability to resource providers' (p.85). Charity governance is different in that it is the principal (usually the board) who are required to deliver on the charitable objectives. This is an area that has changed over time and the importance and role of boards was recognised by the National Council of Voluntary Organisations back in 1996. As Cornforth (2003) states 'It recommended that voluntary organisations should clearly define the respective roles of chair, board members, chief executive and staff; should ensure that boards have an appropriate balance of members; do

not become too large; and have adequate recruitment and induction procedures' (p.05). There was a recognition that the role was changing and that there was an expectation (particularly from government and the emerging Charity Commission) that governance within voluntary organisations should improve. As an example of some of the problems, Cornforth (2003) indicates that a survey at the time found that 'only one in three of those trustees surveyed knew that they were trustees' (p.05). Much has changed in the period but the fundamental issue remains that it is the board of charitable organisations that is responsible for the running, organising and managing the organisation to deliver on mission objectives.

As a concept, the evidence indicated that principal-agent theory was still widespread both in the commercial and the charity world. Shapiro (2005) states that it 'had diffused into the business schools, the management literature, specialised academic and applied practitioner journals, the business press, even corporate proxy statements by the early 1990s' (p.269). Furthermore, it was the 'new zeitgeist and becoming the dominant institutional logic of corporate governance' (p.269). The development of this within the charity sector was actively encouraged by governments of either political persuasion who used corporate governance as a template for proposed legislation. The Charities Act 2011 appeared to be a prime example, but certainly not the only legislation where there had been shown to be an increase in the legislative demands placed on both trustees and managers. At no point is 'governance' as a specific topic cited and the impression was that the changes that have taken place view governance purely from a perspective that views 'good' as being bound up with an increase in rules, regulations and compliance. What this fails to consider is that, as was demonstrated in chapter two, there are other aspects of governance that indicate that 'good' can be derived from different theories. Examples included a democratic governance model where the interests of members and the public were the primary consideration or a stakeholder model where the 'principal' was the stakeholders. From a purely theoretical perspective what seems to have occurred with the legal changes is the supposition that unitary theory was the only way that good governance could be developed. Whether this is in respect of principal-agent theory or stewardship theory was difficult to ascertain since both have similarities that centre around board control, compliance and an emphasis on techniques and performance. The legislation and to a lesser extent the regulations that have developed are both compliance

centric and as has been demonstrated, have become more developed and involved over the period.

The overall supposition seemed to suggest that the development of more rules and regulations and therefore greater compliance would ensure that improved governance would follow. Yet as has been shown in chapter two, there have been several high-profile failures over the years (Foster, 2016; Khan, 2018; Senander, 2017) which have created an impression of a sector with problems. Whilst these were undoubtedly the exception rather than the rule, the high-profile nature of these together with other failures like Kids Company and issues with the Catholic Church have not helped the public perception of poor governance. What has developed is a situation whereby there are now considerably more rules and regulations together with a complexity that has grown over time. As Turnbull (1997) states 'managers (and by implication, trustees) have discretion' (p.189) and there are concerns as to the suitability of the present governance orientation for the charity sector. A more complex point made by Turnbull (1997) is that without multiple stakeholders, boards were never able to govern well since they never had full access to the facts and complexities which would allow good decisions to be implemented.

Prior to the Charities Act 1960 there had been a combination of different statutes which dealt with aspects of charity law which had developed piecemeal over time. The analysis indicated that while the landscape was quite different and the number of registered charities were smaller than today, the governance orientation was nevertheless much wider, less top down and therefore more pluralistic in nature. The evidence suggested that trustees during this period had more control over their organisation, less legislation to consult and were less restricted by rules and regulations. This was the very opposite of the situation that exists today. It further indicated that this pluralistic style of governance continued well into the 1980s before government imposition together with greater legislation and more constraints were forced upon the sector with the expectation being that they would be implemented by these trustees. This greater control and therefore this move to a more unitary style of governance was in part prompted by the publication of the Woodfield Report (Woodfield, 1987). Sir Philip Woodfield was tasked by the Thatcher government to review the existing charity law. His report indicated there were significant deficiencies in the legislation and



‘found that the charity sector to be largely unsupervised’ (Harrow and Palmer, 1998, p.172). This was a statement highly relevant to unitary governance because it effectively set the scene that *supervision* had to be applied and was paramount for its success, however this was defined. The changes that followed were designed to develop better accountability within a system that was already deemed to be failing. The National Audit Report (Monitoring and Control of Charities in England and Wales, 1987) implied in its title that more control and monitoring was needed, which led to increased legislation, more control and over time, a change of governance philosophy. Effectively governance that used to be pluralistic had now moved to a more unitarist ethos due in part to central government’s desire for stronger *supervision* of charities. The irony is that these changes, that were designed to alleviate problems and improve governance, have nevertheless failed to prevent major scandals and problems have still beset the sector and therefore hindered public confidence. This was the opposite of what the legislation was intended to achieve particularly as the confidence metric was measured yearly by the regulator. The details from 2005 are shown below in table 13:

Table 13. Mean trust and confidence in UK charities.

Mean trust and confidence in UK charities	
Year	Level (out of 10)
2005	6.3
2008	6.6
2010	6.6
2012	6.7
2014	6.7
2016	5.7
2018	5.5
2020	6.2
2021	6.4
2022	6.2

(Public trust in charities 2021: web version, 2022)

This indicates the fall in public trust in charities after 2012 together with the difficult years of 2016 to 2018 when there were several high profile and serious scandals involving household named charities. Most notably these included the sexual abuse and subsequent coverup

scandal involving Save the Children and Oxfam plus the poor publicity generated after the demise of Kids Company. As indicated, these problems damaged public confidence in the sector which is only now getting back to levels last seen in 2005. The 2022 survey states that ‘the charity sector still struggles to shrug off lingering doubts about the way it uses the funds that are entrusted to it’ and ‘Such scepticism is particularly acute in the low security, low diversity part of the public’. (Populous, 2022).

This increase in both legislation and complexity has meant that the demands being made on trustees to ensure regulatory compliance have also increased. This is considered in more depth in research question two but as an observation the evidence would suggest that trustees are now expected to be proficient in high-level and relevant charity skills including legal affairs, funding and accountancy. Finance had also become more involved after the introduction of the Statement of Recommended Practice (SORP) requirements in the late 1980s and early 1990s. Despite this increase in both volume and complexity there is little evidence to suggest that, within this body of legislation, there is any definition, guidance or even advice as to what constitutes charity governance, let alone good governance. The legislation has developed complex areas of administration and rules which are, by implication, considered to represent good governance but at no point has this concept ever been defined. Cornforth’s (2004) comment that ‘given the complexity of governance, the search for a unifying grand theory is unlikely to prove fruitful’ (p.12) appears intuitive.

### 6.3 Analysis of interview data

This section aims to consider those elements that emerged from the interview data reviewed in chapter five and looks specifically at how trustees were dealing with these changes and demands. The overall aim being to answer the second research question.

#### **6.3.1 How are charity boards responding to this environment and what effect has this had on their governance work?**

The developed themes in table 12 (in the previous chapter) have been reproduced below as table 14 to allow for a direct comparison of those established from the legislation and

guidance material and from those that emerged in the interview process. The evidence suggested that there was a degree of synergy between the two sets.

*Table 14. Comparison of good governance themes.*

<b>Themes developed from content analysis</b>	<b>Themes developed from interview process</b>
Compliance issues	Compliance issues (board function)
Financial accountability	Financial accountability
Organisational Transparency	n/a
Fund-raising	n/a
Public Benefit requirement	n/a
Knowledge and experience	Trustee training and development
Board effectiveness	Board function (including recruitment and role)
Organisational performance and purpose	n/a
Chief Executive	Leadership and conflict
Diversity	Diversity and inclusion
Leadership	Leadership and conflict
Risk	Risk

As already suggested, what constitutes good governance is accepted as a wide and diverse topic and the interview data indicated that these trustees were adopting a variety of different themes to deal with these changes. Cornforth (2001) was perceptive in his comment that ‘the governance of voluntary and non-profit organisations has long been regarded as problematic’ (p.217). These differing views ought not be seen as unusual since this concurred with Kooiman (1999). He states that ‘the diversity of uses and the various definitions present a problem in understanding governance. If governance can mean so many things, does it still make sense to speak of one conception of governance?’ (p.70). Hodges et al (1996) although referring to corporate or organisational governance arrived at a similar conclusion. He indicates that, ‘there is no one agreed definition of corporate governance, but there is some degree of consensus that it concerns the direction and control of the enterprise and ensuring reasonable expectations of external accountability’ (p.7). For this group, governance was seen

as both complex, involved and without a single defined and agreed concept that could be termed as 'good.'

The following topics were identified by the interviewees as elements of good governance:

- Compliance
- Financial accountability (including SORP)
- Trustee training and development
- Board function (including recruitment and role)
- Leadership and conflict (including Chief Executive)
- Diversity and inclusion
- Risk

#### 6.4 Compliance

The content analysis of chapter four and the individual interview analysis of chapter five showed a degree of unanimity between both the legislation and the interviewed trustees in respect of this topic. Early in the former, Jobome (2006) is quoted as stating that both compliance and accountability were considered aspects of good governance. Within the interviews, compliance was mentioned on several occasions and it was clear that these trustees considered it as important. Whilst rarely specifically commented on it was clear from their actions that they were conscious and aware of its importance and role. An example being from Visual 2 who was commenting on their interaction with the Regulator:

*'With them, (regulator) it is just a case of accounts, trustees annual return and that's it.'*

and

*'just because of those things you do each year, and we've never had any issues with them.'*

Source: Visual 2, 15 February 2021.

This comment was in relation to accounts and other legal matters but compliance was also deemed as being important in respect of SORP and the resulting demands from regulators. The relevance of SORP was discussed in detail in chapter four and as noted, over time, it has developed into a more involved and inclusive document that provides information on a

variety of different aspects relevant to stakeholders. Trustee #5 from Education 2 charity had both a good understanding of the requirements and the expectation on trustees:

*'SORP has not changed dramatically in a while.'*

Source: Education 2, 8 March 2021.

Compliance was a theme that transcended other topics and was not just relevant for finance and legal, important as both are. It was during the interview with Education 2 who raised the issue of compliance (although not specifically referred to) in respect of safeguarding matters. This was a charity dealing with children and education matters and from the interview it was evident that this trustee and the remainder of the board were very aware of the compliance issues in respect of this.

*'(the) experience of such matters, (is) already on the board'.*

Source: Education 2, 8 March 2022.

Yet the interview process indicated that compliance as an issue pervaded other aspects of governance that were disclosed during the interview process. An example being the Children 1 charity who when they were dealing with diversity issues wanted to create a shadow board of young people under 18. As quoted on page 122 they were fully aware that from a compliance perspective any alternative board would have no authority but also that anyone under 18 could not be a trustee under current legislation. As quoted 'These trustees were fully aware that this had no specific legal authority and could only ever act in an advisory capacity' (p.121). Another session dealing with risk highlighted the fact that in this case the trustee and by implication the remaining board members were aware of their responsibilities in respect of this. Other compliance issues surfaced when interviewing Rights 1 charity who again from their comment were aware of compliance issues relating to risk.

*'... in the current situation all our activities are being rigorously risk assessed. We've developed a process which we hope is proportionate to what we do'.*

Source: Rights 1. 26 February 2021.

The evidence from these interviews suggested that these trustees were aware of their responsibilities and the need to be compliant in both their actions and activities. As noted, as a topic, compliance was spread over several different themes and was considered as an important aspect of governance. The evidence appeared to suggest that these trustees were aware of its importance which was acknowledged within these groups.

The content analysis from chapter four had already determined the legislation to be unitarist in outlook and expected an adherence to these rules and regulations by developing and encouraging a top down, principal-agent approach. A reminder that since the Charities Act 1960 this legislation had become more numerous and complex putting greater pressure on trustees to comply with an increasing and involved workload. A trustee in 2022 now required a much wider knowledge and understanding of charitable activity than their counterpart from the 1980s. The effect of this became apparent from the data where there was evidence that some groups, particularly in respect of finance issues, were prepared to either defer to assumed 'expert' trustees (Elderly 1) or in some cases, effectively outsource material to other professional groups (Education 2). This suggested that the legislative requirements were now much more complex and involved. Whilst this procedure was acceptable under the adopted governance, it did create an impression that some of these trustees were having to develop methods to deal with this increase both in volume and complexity.

Compliance and its implication as an aspect of good governance has been the subject of much academic debate and was considered in some detail as theme 1 in the review of the content analysis from chapter four. As an example, Palmer et al (2001) considers financial compliance in respect of the revised SORP issued in 1996 which updated the original version from 1988. Their analysis indicates that since the 1980s, there has been an improvement in financial statements and reporting yet despite this there are still problems. Bird and Morgan-Jones (1981) originally reviewed compliance at the start of the decade only to discover that at the time a large proportion of submitted accounts were either inaccurate or had a wide variation in accounting treatments. Bird (1986) states that 'The lack of any standardisation of presentation means that it takes the user a long time to discover each piece of information or to reach the conclusion that it is not disclosed anywhere' (Bird, 1986, p.49). As shown, in the intervening years there has been a tightening of legislation which has led to improved

compliance which led Palmer et al (2002) to state 'We would agree with Connolly and Hyndman that charity accounting has improved since the work of Bird in the early 1980s' (p.261). What this indicates is that there has been a gradual improvement in these compliance issues, yet problems still remain. Cordery and Sinclair (2013) state that poor rates still plagued the sector and in 2013 referring to Public Benefit Reporting they said, 'This requirement is in addition to the financial information these charities must file, although compliance leaves something to be desired' (p.202).

### 6.5 Financial accountability (including SORP)

The Statement of Recommended Practice (SORP) as discussed in chapter four is one of the documents required to be submitted every year to the Charity Commission of England and Wales. In Scotland there is a similar requirement to submit to the Office of the Scottish Charity Regulator. Within the SORP there is a requirement to include a yearly set of accounts together with other specific information pertinent to the charity and following submission it becomes a publicly available document. During the interview process reported in chapter five, two participants referred to their involvement with this. They were trustees from Elderly 1 and Education 2 and both mentioned how they ensured compliance. One outsourced this to a professional advisor while the other left it to an expert trustee from within their group. These were just two observations but further analysis of the Charity Commission website indicated that at the time of the interviews all the participant charities were compliant and up to date. This would suggest that, rather like other compliance work that trustees were being expected to adhere to, they were coping with these obligations and submitting the relevant documents on time to their regulator. Performance as a standalone topic was difficult to analyse outside the annual accounts which were included within the SORP but the evidence suggested that these trustees were adopting the relevant rules and regulations expected of them.

### 6.6 Trustee training and development

The interview data indicated that trustee training and development was seen as another aspect of good governance.

From a legislative perspective, the analysis within chapter four revealed that the Charities Act 2011 made no mention of training of either trustees or staff. A wider search back to the Charities Act 1960 also showed no evidence that this was considered important or indeed relevant. Guidance document CC3 only mentioned training as a topic on two occasions with references such as *'trustees attending appropriate training'* (p.15) and that *'staff and volunteers get appropriate training'* (p.24). The remainder alluded to its perceived benefit but little else. CC3 states on eight occasions that *'knowledge and experience'* were beneficial. In the Charity Governance Code there was no reference to training but there was an emphasis on trustees acquiring knowledge although there was no definition of the term. Guidance document CC3 encouraged this with comments such as *'trustees attending appropriate training'* (p.15) and that *'staff and volunteers get appropriate training'* (p.24).

From a good governance perspective, any additional training needed to be seen as beneficial towards improved governance and the evidence suggested that within some groups this had already taken place. Evidence indicated that these interviewees recognised the value of training and the benefits that highly skilled trustees and staff could bring to an organisation. Harrow and Palmer (1998) from over 20 years ago reflected on this and state that *'The extent of advice now available to trustees and the continuing emphasis on their training needs suggest that increasing numbers are becoming more fully aware of their personal liabilities in taking on these roles'* (p.183). This also reflects the personal nature of trustee liability within the sector. Training is now seen to be part of a much wider perspective relating to board and trustee development yet the evidence from this study suggested that rather like recruitment, training and development still has a way to go. The evidence indicated wide variations between those organisations that considered training as a vital part of the trustee experience to those that did very little.

As noted in chapter five the guidance in the Good Governance Guide in respect of trustee training was *'vague.'* It states that it was *'desirable'* and there was a recognition that *'trustees were expected to have in depth knowledge and experience'* but little else was mentioned. The interview evidence showed that some of the charity groups were particularly keen to ensure that their trustees were well trained and they were fully aware of their responsibilities (Education 2 and Visual 2). However, some of the smaller ones were also conscious of the



benefits to be gained and the evidence suggested that this was sometimes related to grant applications (Rights 1). There was also further indication that some trustees experience of training was derived from within the commercial sector. They appeared to have simply transferred their knowledge to their charity as and when they were appointed.

*'To operate and manage entities within the public sector, you sort of have to have an element of commercial oversight to ensure that you're getting best value for money and trying to be innovative and do things in unique way. Of course, you know there is a difference between shareholder value and profit and surplus. Of course, I realise that, but actually commercial best practices probably (is) what we all strive to do a lot'*

Source: Education 2, 8 March 2021.

Yet this discussion topic appeared to be more complex than the simple idea that some groups developed training regimes and others did not. The data supported the view that some basic regimes were developed which were both adequate and appropriate. However, there were others who went a stage further and developed not only training but added additional activities like appraisal techniques. The aim was to assess the procedure, to add feedback and then reassess any further training requirements. From a Human Resource Management perspective, these charities were moving from a training regime which was normally skills based to a development phase which was usually represented via an appraisal. At no point in either the legislation or the guidance was there any mention of development but as the evidence suggested, some groups were adopting this as an additional procedure. One group (Children 1) were going as far as to encourage appraisal feedback which implied that a 360-degree system was already in place. This was not universal and the data suggested that it was often the larger groups (Visual 1 and Children 1) who were adopting this to both improve the knowledge base of the recipients as well as the governance of their own organisation and the two were deemed to be mutually beneficial. It was also noted that modern technology was sometimes being used to deliver training as some groups mentioned the use of online training techniques (Rights 1). Since much of the data was collected during the first pandemic lockdown of 2020 it was unsurprising that this was being utilised and further developed. As a summary, the data indicated wide variations between these groups, with some adopting a very proactive training policy with others having less developed strategies.

As a final comment training and development has been fertile ground for academic research with Cornforth (2001) and others (Block,1998; Bowen,1994; Carver,1990; Ducca,1996; Houle,1989 and O'Connell,1985) making important contributions to the development of the concept.

#### 6.7 Board function (including recruitment and role)

Trustee recruitment was another area deemed to be beneficial to good governance and the evidence indicated how different trustee groups were responding to this. This tied in with evidence from the Getting on Board (2017) report which highlighted growing concern as regards recruiting suitably qualified individuals to the role. It suggested that this is already a 'crisis' (p.5-6) and in their following analysis, Daly et al (2020) concluded that trustee recruitment and reasons for wanting to engage with the role were both complex and varied. They state that 'many charities recruit trustees via existing networks or word of mouth with very low use of press and brokerage agencies' (p.1) and that 'the recruitment of trustees has become an enterprise in itself' (p.1). The interview evidence correlates with this and has shown that recruitment together with training and development were still areas of concern for these participants. To add some context, the analysis showed that nearly half of the trustees (six) mentioned recruitment and / or training when discussing governance issues. The implication being that it was considered to be a significant element of governance. Yet despite the passage of time since the Getting on Board (2017) report, little appears to have changed and the recruitment of suitable trustees is still an area of major concern within the sector. The fact that nearly half of the respondents didn't mention anything related to this is a testament to the problems highlighted by the report.

Trustee recruitment, training and development were already being highlighted as major elements of governance and this study also indicated the different methods adopted. One charity (Education 2) used a quasi-scientific system by trying to match personal skills to organisational aims and objectives while another (Social 1) used a much more subjective assessment which was based on obtaining trustees with the requisite knowledge and skills. No one consistent method emerged despite recruitment being viewed as a substantial part of good governance. It appeared from the evidence that different groups were using methods of recruitment that they felt comfortable with and that worked for them.

Training as an issue was closely tied in with both board performance and board dynamics. Much had already been written about good governance being associated with a properly functioning board. As stated, there was a significant amount of crossover between these developed topics and they should never be viewed as individual or single entities. Rather they should be seen as elements and components of total good governance.

Gazley and Nicholson-Crotty (2018) state 'Variables also reflect the strength of board dynamics once elected, including whether board members assess their own performance, the amount of attention paid to board training and development' (p.270). Cornforth (2001) when evaluating the board structures was also aware of the need for a well-developed and proper functioning unit. He states 'The structural aspects of boards we examined were .....the availability induction or training for new board members' (p.222). The aspect of training had been viewed as structurally desirable but there is less academic evidence to support the notion of appraisal techniques being developed. Much has been written about training as a topic within a performance structure (Hoye, 2006; Herman and Renz, 1997) but occurring within the examined group was that the training and development concept, in some cases, was being developed beyond what was expected.

#### 6.8 Leadership and conflict (including Chief Executive)

Leadership as a management concept is a broad topic which has attracted significant academic research over the years. The evidence from these interviews suggested that the participants saw leadership to be the responsibility of a small group of people which in this case was essentially the Chair, Secretary or the Chief Executive. An example being Rights 1 where the Chair and the Secretary were effectively seen as overseeing the board. This was how it was interpreted but research has shown that leadership is much wider than this.

Renz (2007) discusses this relationship when he states that the board 'is the primary group of people entrusted with and accountable for the leadership and governance of the non-profit corporation' (p.02). This suggests that leadership is the responsibility of all trustees and not just a few or even a group. Renz (2007) further adds that 'boards of directors typically will provide the leadership and direction to their organizations' (p.10). What is being suggested here is that all board members are as a group responsible for leadership and governance

within any organisation be it commercial or in this case, charitable. Yet this is not new as Harrow and Palmer (1998) commented that even in the 1990s there was a 'drive to encourage all trustees to see themselves in strategic leadership roles' (p.177). Chait, Ryan and Taylor (2005) confirm this by commenting that 'Stakeholders, in a word, expect leadership' (p.03). Both these quotes suggest the importance of leadership and governance from all within the board and not necessarily a single person or a small group.

The content analysis in chapter four noted that the legislation and the guidance material were both relatively silent on the role of the Chief Executive and that the reviewed Charity Commission publication (CC3) and the Governance Code also made little comment. However, about leadership things were different. The analysis showed that publication CC3 had throughout intimated that good leadership was required yet at no point did it explicitly state this. Mention was made of actions and activities that needed to be undertaken but on the topic of leadership it was relatively silent. However, this was different within the Governance Code which went into greater detail and devoted a complete section (principle 2) to the topic. It also proposed three items of recommended practice which it deemed to be aspects of good leadership. The suggestion throughout the chapter was similar to the comments from Renz (2007), Harrow and Palmer (1998) and Chait et al (2005) whereby leadership was seen as the responsibility of all board members and not just a few. This implied that the achievement of organisational goals through good leadership was a strategic aim for trustees.

Within the interviews leadership and board performance emerged as a good governance theme. In the analysis it was decided to link this with the role of the chief executive and the expectations that comes from that position. Not all charities required or needed such a prominent and dedicated role but this amalgamation was done as it was considered that performance and leadership (which was an expected characteristic of any chief executive) were both inextricably linked.

The analysis of the interviews indicated the complex nature of leadership and the evidence suggested that frequently leadership was considered to be the domain of the few but one charity (Refugee 1) did discuss leadership in some significant detail. Part of the benefit of this was that the evidence indicated that control within this charity was concentrated with both

the Chair and the Secretary while the other trustees appeared to be content with this scenario. The evidence was that this worked well but there was further evidence to indicate that there was a desire by these two for there to be less reliance on power being concentrated with them and for more responsibility being devolved to other trustees. This was a relatively young charity and both the Chair and the Secretary were experienced in their roles. They were wanting to devolve more power to the other trustees and indicated that they felt this was the most appropriate time to relinquish this power and control and devolve it to other trustees. It was indicative that some thought had gone into this situation and an awareness that the remaining trustees needed to be more involved as the organisation grew indicated elements of good governance were already being applied.

Somewhat surprisingly, conflict emerged as an issue and whilst it is often viewed as being both negative and destructive there are nevertheless occasions when healthy conflict can be considered as beneficial. The evidence indicated several circumstances where conflict was identified as an issue and the evidence also showed that a variety of methods had been deployed to ensure an appropriate resolution. Most examples were relatively minor with examples being identified in Elderly 2 where interpersonal issues surfaced and Children 1 with similar problems. What was indicated was that those groups that mentioned conflict appeared keen to work through the issues to resolve any problems. Such disputes are relatively commonplace not just within the charity sector but also within the commercial environment. What this evidence suggested was that within these groups there was a desire to work the problem through and arrive at a resolution. It therefore follows that a proper functioning board together with effective leadership will act as a catalyst for good governance.

What the evidence indicated was that within this group of participants, leadership was seen as important but some evidence suggested that they were also content to let leadership remain concentrated within a core group. Evidence being with Rights 1 where it was split between the Chair and the Secretary. As indicated from the academic work, good leadership and subsequently good governance is achieved when there is an acceptance that leadership is a group activity with responsibility being within the whole group rather than specific groups or individuals.

## 6.9 Diversity and inclusion

This emerged as another element of good governance and was included in both the legislation and guidance as well as the interviews. It was a relatively new concept first included in the 2020 revised version of the Charity Governance Code under Principle 6. Page 20 of the Guide states 'Boards should try to recruit people who think in diverse ways, as well as those who have diverse backgrounds' with the aim being to introduce 'a variety of perspectives, experiences, and skills' (p.20). It was also included in Charity Commission document CC3 where section 2.1 states:

*'You must be at least 16 years old to be a trustee of a charity that is a company or a charitable incorporated organisation (CIO), or at least 18 to be a trustee of any other charity'.*

The evidence suggested that trustees often had a desire to diversify board structures to make them both more representative and develop closer links with their service users. There were some well documented successes as well as some failures but those boards that tried to develop this area often demonstrated novel and unique practices. Academically this was something that had attracted much interest and work. Harris (2014) looks in detail at the concept of diversity within non-profit making organisations and concluded that there was some evidence that 'board member diversity and expertise are associated with better performing organisations' (p.113). This was a small study and the suggestion was that all such studies tended to be 'plagued with the issue of endogeneity' (p.127) whereby instead of improved board performance being the result of specific individual issues, it could be the result of higher performing trustees being drawn to better performing organisations. This was relevant to all studies, but it gave an indication of the complexity of any research. Other relevant academic work was developed by Fox (2007) who states 'Diversity isn't just about demographic factors. It also involves valuing differences in thought, background and experience' (p.9). Within this thesis the evidence indicated there were some successes, notably Education 2 charity who developed a diverse and unique listening conference but there were also problems, particularly Rights 1 charity where they had to deal with a variety of different issues. The evidence showed the problems that some boards encountered with their attempts at diversification which gave an idea of the limitations they face in respect of their power to achieve change and develop new methods. The assumption tended to be that

boards will always have a free reign to deal with such issues yet often this is not the case and as had been shown, change can often prove both difficult to develop and achieve.

As a specific topic, this was an area where data evidence indicated that some of the groups were developing their own procedures. The content analysis showed little reference to this within the legislation but it did feature extensively within the guidance material. Most of this concentrated on encouraging the development of a diverse board by working on the premise that a fully functioning and culturally diverse group would allow them to thrive and allow improved governance procedures to develop. Trustees were encouraged to recruit those people 'who think in diverse ways, as well as those who have diverse backgrounds.' From a governance perspective this was appropriate, but the interview evidence from Children 1, Education 2 and Rights 1 indicated that the representative groups were interpreting this guidance from a much wider perspective. As well as developing diverse boards, the evidence indicated that some were taking this a stage further by initiating a 'shadow board' and encouraging service users to be part of this. Whilst having no legislative powers it was considered that such bodies could advise and in some cases steer, the main board with reference to the needs and aims of other stakeholders, particularly service users. It also identified the Rights 1 charity who were keen to encourage other stakeholders to become trustees but this had met with mixed results. Nevertheless, the analysis did show that these trustees were thinking outside what the guidance material was stating and applying it to their own individual circumstances to (one assumed) improve their own operation as well as their own governance. This alternative thinking resurfaced with Education 2 charity who were dealing with young people's educational needs. As shown in chapter five, their attempt to involve service users included an idea to completely transform their annual conference into effectively a listening event. Instead of stakeholders being lectured to by trustees, as would normally happen, at this event it was turned through 180 degrees, whereby the stakeholders and more especially, the service users, effectively talked to the trustees to explain as to their needs, hopes and expectations. The interviewee stated:

*'All manner of people and bodies came in and taught us those really, fascinating things that educated us'.*

Source: Education 2. 10 February 2021

Other diversity initiatives were tried by this group and the interviewee admitted that some were a success while others were not. However, what this indicated was a continuation of the training experience where some groups were effectively thinking on a different level and applying different actions to their own organisations.

#### 6.10 Risk

Awareness of risk issues together with an understanding of how to manage them was another theme that developed out of both the legislation and guidance material. It was also prevalent within the interview process. Risk as an issue is often seen as something to be feared and avoided but as the guidance material suggested 'being over cautious and risk averse can itself be a risk and hinder innovation' (p.14). The suggestion being that a healthy awareness of risk together with a plan to deal with any issues would always constitute good governance.

Much of the academic debate surrounding the topic had centred on how charities relate to and deal with risk. Coule et al (2018) states that it has always be incumbent on trustees to 'ensure charitable funds and assets are used reasonably and in furtherance of the charity's objects and avoiding undue risk' (p.35). With the changes that have taken place within the sector (greater commercialisation, outsourcing of public services) this has become even more relevant. Eikenberry and Kluver (2004) warned against the issues that this could create by stating 'A corporate model, which stresses the values of strategy development, risk taking, and competitive positioning is incompatible with the non-profit model, which stresses the values of community participation, due process, and stewardship (p.136). But issues in respect of risk are much wider than this and whilst financial and legal issues are important, reputational risk are now prevalent. ACEVO (2013) were aware of this when they state 'There can often be too much focus on legal and financial risk to the detriment of other forms of risk. Ensure that trustees understand that reputational risk, governance risk and operational risk also need to be considered'. (p.48)

The responses from the individuals showed that risk took many forms and they seemed aware of the wide nature of the topic. There was evidence to suggest that some trustees were already considering both the risks to their organisation and had already developed a response plan. This heightened awareness may have been due to some groups having additional



regulators who encouraged risk awareness and these were also charities who either dealt with children or vulnerable adults. One dealing with the educational needs of children (Education 2) was aware of reputational risk associated with their proposed expansion abroad. This was further compounded by issues in respect of IT security and children's access to the internet so this group were already conscious of the risks that their organisation faced. To counteract and manage this they had developed both a risk policy and a contingency plan to deal with any issues in the future. They were aware that it was virtually impossible to alleviate all risks but by identifying the main ones and having a detailed response procedure showed that governance policies were already in place. Another group (Elderly 2) dealt with vulnerable adults at the other end of the age spectrum and this group was aware of the associated risks. They had in place a risk register and policies together with a suitable plan of action should the need arise.

The evidence was that some groups whose risk profile was already high had procedures in place to deal with issues if they arose. In terms of governance, they were conscious of them, were actively monitoring in a responsible and professional way and attempting to deal with risks when needed.

### 6.11 Other themes

Reference to table 14 in section 6.3 indicates that there were several themes that were developed out of the legislation and guidance material but were not identified as such by the interviewed trustees. There were deemed to be reasons for these anomalies particularly as some were already associated with other developed areas. An example being Public Benefit Requirement reporting which was first introduced in the Charities Act 2006. This was originally vague and confusing since the legislation failed to provide any specific definition until the Charities Act 2011 clarified this. This is now included in the SORP reporting which may explain why it failed to be included as a separate item. The same may also have applied to the theme of Organisational Transparency which was a difficult term to understand but as noted some of the interviewees did mention aspects of their reporting and board functions which could explain this. Similarly Organisational Performance and Purpose now must be reported within the SORP and this could explain its omission from the interview data. Finally fund-raising was not mentioned as a specific topic but financial accountability was, so again

the two maybe interconnected. The implication adds credence to the concept discussed earlier that governance as a topic is both complicated and involved and difficult to define.

## 6.12 Implications for good governance

The final research question asked the following:

### 6.12.1 What implications do 1 and 2 above hold for the way we understand 'good governance' in the regulatory era?

The data so far has established that legislation and guidance material has grown exponentially over the period in question. After analysis of the legislation and guidance material and interviews with trustees, various elements of good governance have been identified which were noted in table 14 on page 163.

Further analysis of these topics revealed wide variations between these charity groups. An example being in respect of diversity where the data indicated that groups like Children 1 and Education 2 had developed complex and involved methods of improving board diversity. Other groups, like Rights 1 because of restricted funding, had less well-advanced methods. If seen as a continuum then at one end of the spectrum were methods that were well developed and advanced while at the other end, there were more basic and less sophisticated procedures. This implied continuum was repeated in other topics with an example being trustee development. The evidence showed that Rights 1 charity provided limited training for their trustees despite being aware of the benefits that could be accrued. At the other extreme was Children 1 who already had a fully developed appraisal system in place designed to encourage future trustee with their training and development. What the evidence appeared to suggest was that in response to the obvious challenges that had been posed with the changes in legislation, some of the interviewed groups had already developed a wide range of strategies to deal with these increased expectations while other groups appeared to be still very basic with their procedures. Furthermore, some trustees, like those identified with Elderly 2, brought with them extensive knowledge and skills from other organisations often within the commercial sector which allowed for a wider skills base to be established which

then benefitted their organisation. What this appeared to suggest was the wide range of systems relevant to good governance that were in place within these examined groups. Some were basic procedures while others were advanced.

To reflect this dichotomy, a good governance model was created which was designed to encourage trustees to develop new governance procedures but from within a controlled and regulated environment. It was hoped that such a method would allow governance procedures and related ideas to flourish and develop. This was in line with comments within the 'Charity Governance Code' which indicated that 'the Code sets the principles and recommended practice for good governance and is deliberately aspirational: some elements of the Code will be a stretch for many charities to achieve' (p.1). The hope would be that the development of this model of good governance would encourage this.

### 6.13 Developed conceptual governance model.

The proposed conceptual model was designed to be deliberately aspirational and aimed at encouraging charity trustees to improve and develop their established procedures. It was not intended to be part of legislation or regulation but was intended to allow trustees to decide for themselves where they were as regards their governance perspective. It was meant to be informative and encouraging and allowed for self-analysis and introspection with the intention that trustees be encouraged to develop procedures from their established knowledge and experience and therefore develop improved governance procedures.

The stages of the model are summarised below and are later reviewed. They are Minimum Basic, Intermediate and Advanced and the definitions were as follows.

- 6.13.1 **Minimum Basic.** This equates to where a trustee group adopts and adheres to the basic charity legislation. They observe this legislation, comply with other expectations but do little else. Since they are following the prescribed rules then, by implication, they must be deemed to be providing good governance.

6.13.2 **Intermediate.** Here a trustee group not only adheres to basic legislation, like Minimum Basic above but also either adopts or develops aspects of governance progressed from within the published guidance documentation. To the outsider they are going above and beyond the required legal requirements.

6.13.3 **Advanced.** Here a trustee group, as well as adopting stages 1 and 2 above, are also developing other aspects of governance that as a group, they consider appropriate. The evidence indicated that these advanced options were not included either in the legislation or the guidance material but these trustees are using their knowledge and experience to attempt to drive up standards while working within the regulatory framework.

There was some evidence to suggest that the advanced group were demonstrating pluralistic tendencies in their specific behaviour and actions but that these actions did not go so far as to concede decision making powers to either third parties or stakeholder groups. As a reminder in chapter two there was a discussion of the difference between unitarist theory (section 2.6.1) and pluralistic theory (section 2.6.2). The fundamental difference being that unitary was where power was enshrined within the board structure and they were able to make decisions and direct actions. These were frequently taken by a small group who were empowered to make such judgements. Pluralistic theory was an alternative view where individuals would work not just for themselves but for the community in which they served. It represented a wider governance perspective and encouraged greater participation in which participation and decisions were developed by social inclusion. While both theories are relevant to this research, Coule (2008) urges caution in relation to governance theory and states that neither approach is 'right and the other wrong' (p.258). Specifically, she states that 'acceptance of a certain approach - be it unitary or pluralist - among key organisational groupings is associated with the degree to which that approach honours the social values expressed in the organisation's service work' (p.258).

#### 6.14 Implications for good governance and the developed conceptual model.

Within this data there was some evidence that these advanced charities were prepared to grant a voice to some disenfranchised or underrepresented groups or in some cases even allow some agenda setting powers as in the case of the flipped conference (Education 2). But despite these concessions there appeared to be no overall surrendering of decision-making powers and in terms of Lukes (1974) some power was being devolved to these groups but very little and certainly not in any large quantity. Reference has been made on several occasions throughout this research that there have been circumstances that have witnessed 'a nod to pluralism'. It is a made-up phrase but encapsulates a movement towards a more pluralistic governance style without any surrender of overall power and authority. It could be classified as a notional halfway house and this seemed to be what is happening here. In respect of the other groups, it would suggest that Minimum Basic is orientated towards a principal-agent approach within a unitarist philosophy whereas Intermediate develops an element of stewardship. As also stated, Advanced introduces an element of pluralism but only an element and still within the confines and constraints of a dominant unitary ideology. Furthermore, table 15 below indicates which structure applied to which charity together with additional information relevant to the above. This mapping exercise aims to develop a clearer picture as to which group these participants are deemed to occupy in terms of the developed conceptual model.

Table 15. Analysis of developed governance style.

<b>Analysis of charity governance style</b>				
	<b>Charity</b>	<b>Alias</b>	<b>Governance style</b>	<b>Remarks</b>
a	Elderly care and welfare	Elderly 1	Basic	No evidence of advanced techniques other than basic adherence.
b	Elderly care and welfare	Elderly 2	Advanced	Advanced training techniques. Some evidence of pluralistic governance.
c	Children and Youth	Children 1	Intermediate	Diverse board structure but encountered problems.
d	Education and training	Education 1	Basic	No evidence of advanced techniques other than basic adherence.
e	Education and training	Education 2	Advanced	Diverse board structure and unusual listening conference. Some evidence of pluralistic governance.
f	Human rights - refugees	Rights 1	Intermediate	Development of trustee training on limited funds plus attempts at diverse board.
f	Human rights - refugees	Rights 2	Intermediate	As above
h	Social welfare	Social 1	Basic	No evidence of advanced techniques other than basic adherence.
i	Visual Impairments	Visual 1	Intermediate	Some attempts at diversity and trustee training
j	Visual Impairments	Visual 2	Intermediate	Development of diverse board structure

k	Visual Impairments	Visual 3	Basic	No evidence of advanced techniques other than basic adherence.
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As suggested in chapter two, principal-agent theory from a unitarist perspective was still prevalent. Despite the changes reflected above and those mentioned in chapter five, there was still no overwhelming evidence to suggest that a more pluralistic governance perspective was being adopted. What was shown was that some groups were adopting aspects of pluralism in the way that they developed their procedures. Examples being diversity issues where unrepresentative groups were being encouraged to join trustee boards (Children 1) and where charities were encouraging novel and participatory conferences (Education 2). Training and development issues also saw some evidence of this shift (Rights 1) and a movement towards some aspects of pluralism but control was still concentrated within the appointed trustee group. However, these small movements would not suggest that a complete reappraisal of governance was taking place by these trustees. Unitarist ethos was still prevalent with no evidence of a wholesale move towards a more pluralistic governance philosophy developing within any of the groups investigated.

Finally, there was evidence to suggest that some of the additional procedures being introduced by trustees in the Intermediate and Advanced groups were being imported from other sectors particularly the public and commercial environment. Examples included a skills matrix for determining trustee recruitment needs (Education 2) as well as a developed appraisal scheme (Children 1) which was designed to improve trustee training and performance.

#### 6.15 Further thoughts in respect of governance procedures.

The literature review in chapter two suggested that good governance was and always has been a difficult concept to both comprehend and develop. Given the analysis of the regulatory framework, it was evident that trustees were expected to be proficient in many areas of charity life and therefore, it was reasonable to suggest that any charitable organisation that adheres to the legislative framework, had to be practising good governance. An example was

Elderly 1 charity which dealt with aged care and welfare. The evidence suggested that the trustees were complying with the legislation but were doing little else and as they were acting within the law, they had to be seen to be practising a form of good governance. By implication, a failure to follow legislation would indicate poor practice and whilst seeming to be very binary, this was the basic tenet of any regulatory framework. Organisations that are in this grouping (like this charity) were deemed to fall into the basic governance category mentioned earlier.

Next was considered those charities that adhered to the legislation and tried to embrace other elements of good governance. This would be viewed as perfectly acceptable and could be seen as trustees attempting to develop and improve their governance procedures. The evidence indicated that this was being followed by groups like Rights 1 and Education 2 charities. The former was dealing with human rights and refugee issues and were proactive in attempting to develop both a diverse board structure and an inclusive training scheme. These activities were discussed at length within the guidance documentation, yet they indicated that they were trying to develop this further. The suggestion therefore was that, in terms of governance fit, they were in the intermediate category by being both legislative compliant and acting on the guidance that was outside the requirements of legislation.

The final part of the analysis was of those organisations that were both legislative compliant and who added other elements of governance that were more than what was required. Such groups fell into the advanced category where the evidence suggested that they were going beyond both the legislation and guidance material. An example being Education 2 who developed a conference that ensured that the trustees listened to the service users and learnt from their experience. This was the group that also tried and subsequently failed to develop a shadow board but used the experience of failure to develop a post within the existing board structure specifically for either a service user or someone with relevant experience. These were all attempts to get closer to their user base and by implication improve their governance structure. The Children 1 charity was another example of a group who were developing training regimes but took it one stage further to include appraisal techniques and in the same case, a 180-degree appraisal.



The conceptual differentiator of these theories is that none of these activities were included in either the legislation or the governance guidance, yet these trustees considered that such activities were appropriate to develop and improve their organisations governance procedures. There was also some evidence to suggest that these activities were being directly imported from outside the charity sector by new trustees who were both knowledgeable and had experience of such techniques.

This study indicated an acceptance by this analysed group of unitary governance ethos. However, it should also be noted that there was some evidence within several of the advanced groups of active experimentation with elements of pluralism. The evidence from chapter five indicated that overall, they were a compliant group of trustees who were prepared to accept rules and regulations as part of their role and therefore by implication were accepting of the dominant theory. Yet from a good governance perspective, evidence has shown that the ethos of unitarist governance does not always achieve what its supporters would hope. Chapter two discussed in detail some of the dysfunctional outcomes that have occurred since this has become prominent with these ranging from the Oxfam Haiti sex scandal, the demise of Kids Company, problems at the Alzheimer's Society and other notable issues. Despite these problems there has not been a significant move towards a more pluralistic, less top-heavy governance style. Coule (2015) states 'My intention is not to position any approach as inherently superior to another in economic or efficiency terms' (p.94). However, she is supportive of a more pluralistic orientation and subsequently states that it 'is seen as a source of legitimacy and can produce complex relationships, which challenge the instrumental orientation to social relations that principal-agent theories assume' (p.7). Cornforth (2004) is mindful of these issues and states that 'taken individually these different theories are rather one dimensional' (p.11). He considers the development of a new theoretical framework based on his 'paradox principle' which attempts to mix aspects of different theories together because as he says, 'we need to find new ways of thinking about governance that move beyond narrow theoretical frameworks' (p.26). It would be reasonable to suggest therefore that some of the advanced groups were already engaged with the paradox principle that he mentions.

Despite the social benefits that may accrue from a pluralistic perspective together with the established academic premiss, there has not been a noticeable move away from unitary theory to a more pluralistic perspective of those groups outside the advanced groups. Indeed, this study has shown that unitary governance is a dominant concept within the charity sector and there are several reasons suggested for this.

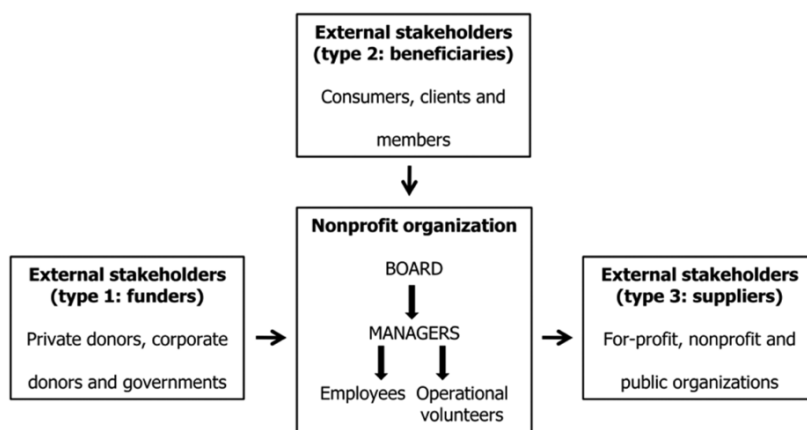
First, the legislation and guidance material already adopt a unitary ethos and the evidence indicated that these trustees were both compliant and aware of the rules and expectations on them. There appeared to be some evidence of a continuum between 'hard' and 'soft' unitarist theory particularly where trustees were keen to include other stakeholder opinions.

Secondly, a different supposition for this lack of support may be derived from Michel's Iron Law of Oligarchy. His theory from 1911 states that all organisations, irrespective of their democratic credentials, will eventually develop oligarchical tendencies whereby a leadership class will emerge and he suggests that such development is inevitable. This has its critics, but this may indicate why there is a lack of pluralistic governance ethos within charities since oligarchies could be developing in line with this concept.

There was an understanding that Berle and Means (1932) principal-agent theory had developed out of the commercial world but that some academics considered it an anathema when applied within a charity context. Much of these comments related to the issue of non-profit accountability and particularly who is the principal and who is the agent (Anheier, 2005; Brody, 1996; Miller, 2002; Ostrower & Stone, 2006). This is straightforward within most of the commercial world given the specific role of directors, shareholders and managers. Yet this is not so evident within the not-for-profit sector where there is an emerging body of evidence that sees the relationship between principal-agent theory and the sector as being one more nuanced than at first envisaged. To develop this further, the work of two academics who have specifically looked at the idea of principal-agency theory with reference to another governance concept, notably stewardship theory, was reviewed. Both Van Puyvelde et al (2012) and Coule (2015) considered this.

Van Puyvelde et al (2012) suggests that any concept of governance within the sector rather than being specifically one or the other can sometimes be seen as an amalgamation of different theories. She develops a general view that suggests principal-agent theory could develop aspects of other theories such as stewardship, stakeholder or relationship and so become more nuanced and specific for the sector. She suggests that this complex variation could be possible given that within the sector there are always multiple groups who may be viewed as either principals or agents. ‘Besides the manager and the owner, other actors can be involved in the activities of the non-profit organisation, such as volunteers, donors or clients’ (p.432). This was developed from within the following diagram which shows the complexity of these relationships.

Figure 1. Non-profit principal - agent relationships.



Source: Van Puyvelde et al (2012)

Van Puyvelde et al (2012) tries to untangle these and shows that principal-agent theory can be an appropriate governance model. She states that ‘We argue that a more comprehensive principal-agent theory of non-profit organisations can be established by combining agency theory with the insights of stakeholder theory, stewardship theory and empirical literature on the governance and management of non-profit organisations’ (p.432). This adopts a broad approach to the issue but is indicative of an assessment that sees governance as being multi-facetted and within the not-for-profit sector governance is less clear cut more nuanced in its approach. It could be further suggested that if an organisation had multiple principals (however that notion is defined) then the concept of good governance will, by implication, be pluralistic both in its nature and within its operating systems. Given the comments from van

Puyvelde et al (2012) in respect of a more nuanced approach to governance issues, then the above would appear to be very applicable.

Coule (2015) develops this idea. She attempts to 'challenge the notion of accountability as a somewhat benign and straightforward governance function and recast it as a challenging, complex choice' (p.76). This runs parallel to van Puyvelde et al (2012) as far as governance in this sector is not always a specific case of 'one size fits all'. Both academics take the view that governance was more complicated than originally thought. Specifically, Coule (2015) reviews principal-agent theory, which is unitarist in approach, with that of stewardship theory, which is also unitarist. Both involve control but at various levels. Watson (2006) develops the concept of 'system control' which Coule (2015) considers appropriate to both agency and stewardship theory. The aim being to 'maximise control over human circumstances by presenting organisations as goal-based controllable systems' (p.76). This overarching control of staff under unitary logic is different between the two theories. Under agency theory there is implied conflict between principals and agents (however these two groups are defined) whereas under stewardship, which is still unitary logic, the control is more a shared responsibility with common objectives. Cornforth (2004) states 'Stewardship theory stresses that board members should have expertise and experience that can add value to the performance of the organisation' (p.22). Both Coule (2015) and van Puyvelde et al (2012) show that the distinction between various governance theories, is often ill defined, under researched and often blurred.

When reviewing unitary logic, Coule (2015) states that principal-agent theory has the following characteristics:

- 6.15.1 Boards and managers are driven by different interests. Staff and board relationships interact through the chief executive or CEO and that relationship is based on a rule-based view where there is a keen sense of objective compliance often through an elite group within the board.

6.15.2 For stewardship theory, she states there is a more partnership approach. More especially, board members are often 'experts' in their field who are deemed to add value to the organisation. Board staff relations are still conducted through the chief executive or CEO but are seen as more encouraging and supporting although rules and compliance issues still apply. Staff are also responsible to the chief executive or CEO or whoever is their representative on the board.

Both these academics show that unitary governance was more nuanced and developed than expected. Although the evidence indicated that the legislation is very specifically unitary in outlook, as the above has shown this does not necessarily mean that this will be adopted and translated by charity boards or trustees. Furthermore, Coule (2008) states that 'practitioners do not necessarily act consistently within a particular stance and often vary their approach' (p.246). This raises the possibility that trustees will adopt 'diverse philosophical approaches to governance and strategic management in voluntary organisations' (p.246).

At the interview stage there was evidence that all the respondents were very aware of the legislative requirements and were keen to comply. Whilst these two examples appear critical of the regulator, they also gave the impression of a call for the stronger application of unitary governance principles:

*The Charity Commission doesn't seem to have the same authority that that the Information Commissioner has.*

*(I would) call for the Charity Commission to really set about best practice.*

Source: Education 2, 10 February 2021.

Yet despite these minor grumbles none of the interviewees admitted to failing in their statutory duty and there was evidence that these trustees were fully aware of the responsibility commensurate with the role. But the research question is wider than this and as the interviews developed, it was possible to see how some groups developed their governance procedures. To review this, the discussion was split into three groups.

6.15.3 Based on the above academic analysis, to review whether strict principal-agent theory was being adopted or whether a more nuanced approach was being used in line with the stated academic views.

6.15.4 To review any additional governance activities that trustees were adopting in line with published guidance documentation.

6.15.5 And to see whether any groups were going ‘beyond’ and developing aspects of governance that they considered appropriate but that were not necessarily included either in the legislation or the guidance.

To consider this the comments made by the interviewees were analysed. There was no one specific question, but it was part of the general conversation which were then reanalysed into specific groups. They were as follows (shown in table 16).

Table 16. Interview responses.

<b>Interviewees</b>	<b>Governance</b>	<b>Comments</b>
Non-execs provide checks and challenge to the management team to ensure that everything has been done effectively.  (Children 1)	Agency	The suggestion in this comment is that the trustees’ control employed staff to ensure compliance. Mention is also made of checks and balances within the system.
You must ensure that the financial management works well.  (Visual 1)	Agency	This contributor was aware of the need for good financial management. However, there was an awareness of the need to ensure it worked appropriately and was well controlled.

<p>(I have) accounting qualifications and I have technology qualifications and training qualifications.</p> <p>(Visual 1)</p>	<p>Stewardship</p>	<p>This suggests a more partnership approach to governance and is the 'expert' mentioned by Coule (2015).</p>
<p>I am very well up on finance and IT.</p> <p>(Visual 1)</p>	<p>Agency / stewardship</p>	<p>This comment, made by the same person, is difficult to analyse since it implies expert knowledge but with control overtones. There are aspects of both agency and stewardship particularly when tied in with the previous comment.</p>
<p>Commercial best practices probably (is) what we all strive to do a lot.</p> <p>(Children 1)</p>	<p>Agency</p>	<p>This from a contributor who had worked within the commercial sector for a significant period. Commercial best practice implies an agency approach.</p>
<p>You know you have to have good discipline and organisation.</p> <p>(Elderly 1)</p>	<p>Agency</p>	<p>From the same individual, is a comment about discipline and control.</p>
<p>Governance to me seemed to come down to organisation of getting the right people in the right place with the right material in front of them.</p>	<p>Agency / stewardship</p>	<p>This was from a different contributor and proved difficult to analyse. There is an element of control here but there are elements of support which</p>

(Education 2)		indicates a combination of both agency and stewardship theory.
We built an EDI (Equality, Diversity, and Inclusion) matrix based on what the trustees agreed were the required skill sets up for the board.  (Education 2)	Stewardship	From the same individual is an awareness of the need for developed skills and training within the trustee body to achieve agreed objectives. Cornforth (2004) indicates the need for this expertise in a partnership approach.
The management team were told what they could and could not do, even down to the micro level.  (Elderly 2)	Agency	These last two suggest an agency approach in an organisation with significant problems. This was a top down, controlling approach typical of agency theory. This was at the extreme end of the premiss as there were elements of bullying.
So tightly controlling things that it would stifle the freedom of the Chief Executive.  (Elderly 2)	Agency	And likewise with this comment from the same group.

These were wide ranging views and gave an indication as to the expectations and attitudes of these individuals. Evidence suggested that most were in line with principal-agent doctrine but as the above shows some were more nuanced and wider in perspective thus indicating a more stewardship and inclusive approach. The main aspect is that both are within a unitarist perspective and both principles concur within the legislation. However, what it does suggest



is that rather than slavishly following the rule-based continuum, these individuals were already demonstrating that they were prepared to adopt and develop alternative ideas relevant to governance whilst remaining both legal and compliant. The supposition was that some groups were doing exactly what was expected of them according to the legislation and nothing more. Whereas there was other emerging evidence to suggest that some of the other trustees were adopting a wider and more inclusive style. This was in line with the work of both Coule (2015) and van Puyvelde et al (2012) who have already shown that principal-agent theory is more complex than originally considered. The evidence from this study suggested that this 'blending' of the two unitarist theories was already occurring.

### 6.16 Conclusion

The aim of this discussion chapter has been to bring together the available data relevant for the study and provide answers to the established research questions. Question one was about how the regulatory environment had changed over time. The evidence from the content analysis showed that there had been a significant increase in this legislation since the Charities Act 1960. Furthermore, it was shown that this has become significantly more complex and involved. The analysis indicated that the legislation followed a unitarist style of governance that was rooted in principal-agent theory. There was a review of the guidance material which was shown to be less prescriptive and more supportive of trustees trying to improve governance procedures.

Question two considered how these changes were being dealt with by charity boards. The evidence indicated that trustees were aware of their responsibilities and acted accordingly. It was shown that from a governance perspective it was still based heavily on principal-agent theory but there was evidence of some groups developing governance procedures over and above what was required. Examples were seen in training and development with some developing appraisal techniques which were not mentioned in the legislation or guidance. Others were working for greater diversity particularly in respect of board representation and one group had developed a completely fresh style of conference designed to improve diversity.

Question three brought this all together with the development of a three-stage conceptual model of good governance based around the themes of Minimum Basic, Intermediate and Advanced. This was seen as a way of delineating the type of governance that these groups were developing. Finally, there was some evidence that although unitary governance was still prevalent some groups were developing a wider version which included involving other trustees or in some cases, stakeholders in decision making. In two cases, Elderly 1 and Education 2 there was evidence of pluralistic intentions with compliance and finance materials being devolved to their financial sub committees. It would be reasonable therefore to suggest that advance governance as embraced within the three-stage model at least flirts with the concept of pluralism. As mentioned earlier, within these groups there was at least a tacit nod to a more pluralistic governance style despite overall unitarist governance ethos still being dominant.

The final concluding chapter will draw this study to a close with a review of the main aspects of the work, the limitations there have been and a review of the contribution this has made to the subject literature.

## 7. Conclusion

This chapter concludes the study by summarising the main findings and considers these in relation to the stated research objectives. At the end of the chapter, there is a review of its value and contribution together with its limitations as well as proposals for future work.

### 7.1 Introduction

The overall aim was to consider good governance within the English and Scottish charity sector in the light of changing legislation. To achieve this, the study was divided into three stages which were considered in detail in chapter one. The first saw the review of legislation and guidance material which was completed via a content analysis. The aim being to consider how the legislation for both jurisdictions had changed and evolved since 1960. The second stage attempted to use this evidence to consider how these boards were responding to these changes and what effect this had on their work. The third and final stage used and developed the evidence and brought it together to understand what constituted good governance within this environment. As noted earlier, governance as a topic has attracted much research and the overall aim was to use this data to consider these governance aspects within the regulatory era.

### 7.2 Implications for Good Governance

To accomplish this, the following research questions were posed:

1. How has the regulatory environment for English and Scottish registered charities evolved?
2. How are charity boards responding to this environment and what effect has this had on their governance work?
3. What implications do 1 and 2 above hold for the way we understand 'good governance' in the regulatory era?

### 7.2.1 How has the regulatory environment for English and Scottish registered charities evolved?

Commencing with a review of the applicable legislation, the evidence indicated that since 1960, there had been a significant increase in both its volume and complexity which had subsequently placed greater demands on both boards and trustees. Noticeably, this change in emphasis had resulted in a greater requirement for technical knowledge, particularly in respect of finance and legal matters.

As regards governance publications, the evidence indicated that this too had seen an increase in both volume and intricacy from the 1980s onwards. Unlike legislation, this material was aspirational in tone, encouraging trustees and boards to strive to develop improved governance structures within their own organisations. The evidence implied that this was designed as a practical tool, with the contents being deemed to represent aspects of good practice. Despite this aspirational aim the contents were not considered obligatory and the evidence suggested that they dealt with wider aspects of governance often not covered within primary legislation.

In respect of governance within the sector, this study revealed that the legislation adopted a unitary orientation, based on a principal-agent approach. This mirrors evidence from within the commercial sector where unitary theory was dominant. Cornforth (2001) explains that the charity board's role was one of overseeing management and checking compliance with the established rules and regulations. This sees governance and control become the responsibility of a narrow group of individuals where the principal focus is on accountability and control which is then devolved from trustees to senior managers or other relevant employees.

The evidence also showed that the guidance material adopted a similar ethos and there was little evidence to suggest that pluralistic governance was prevalent or developing within the sector. Pluralism represents a more democratic style of governance where decisions are not simply left to a ruling elite but are developed by diverse groups within the organisation often based on one member, one vote. Cornforth (2004) states that in this situation 'The role of the

board is to resolve or choose between the interests of distinct groups and set the overall policy of the organisation, which can then be implemented by staff' (p.14). In this study, some guidance material did appear to encourage lesser amounts of stakeholder engagement with an example being Principle Six within the Charity Governance Code. This reviewed Equality, Diversity and Inclusion and an example from the research was the development of diverse boards. There was evidence of greater diversity from the charity who were developing inclusive conferences where the board listened to the stakeholders rather than the traditional method of 'giving' information. This was seen as developing stakeholder inclusion but as noted at the time, it was still being developed from within a unitary logic mindset that was aimed at informing and advising executive opinion. There was no evidence that any of this was designed to either share power or devolve decision making as would be apparent under a pluralistic ethos. It should also be noted that there were other attempts to diversify these boards with the voices of otherwise disenfranchised groups, and instances where the boards could not 'control' in the way they expected and had to yield to the views of other groups. There was evidence of boards responding more to press stories than legislative and guidance material and still in chapter five, there was further evidence of such activity when considering trustee recruitment.

The conclusion after reviewing the data was that unitary governance ethos was still dominant but this was countered by the comment that 'governance ethos was still unitary based but like a continuum, could vary between a 'hard' or 'strict' approach to a 'softer' or more 'casual' ethos' (p.193).

### 7.2.2 How are charity boards responding to this environment and what effect has this had on their governance work?

The evidence indicated broad support for the legislative rules and showed trustees were keen to encourage the development of good governance procedures. Some trustees already had experience and transferable knowledge skills from outside the sector and the indication was that they used this to develop improved governance procedures within their own organisations. Examples being in respect of training and development as well as encouraging

greater involvement and diversity, particularly in respect of board representation. There was some evidence that boards were finding the increased complexity of both the legislation and guidance material difficult to deal with and were either expecting knowledgeable trustees to deal with this or effectively outsourcing issues to professional agents who were deemed to have greater knowledge. This included finance and compliance issues.

The review of both legislation and guidance material showed that unitary governance orientation was prevalent within both sets of material. The evidence suggested that governance culture within these charities had developed along these lines simply because as indicated in this study, trustees were both compliant and conforming with both legislation and guidance material. Chapter six indicated that early legislation, from the 1960s to the 1980s was mainly pluralistic in governance style only changing to a more top down, unitary ethos following the intervention of central government after the publication of the Woodfield report in 1987. The legislation that followed continued to adopt this style of governance which has remained the dominant feature ever since.

### 7.2.3 What implications do 1 and 2 above hold for the way we understand 'good governance' in the regulatory era?

The evidence allowed for the development of several 'good governance' topics which have been reviewed in previous chapters. This suggested that different groups were adopting different topics relevant to governance which in turn encouraged the development of the three-stage conceptual governance model.

The evidence suggested that some trustees and their boards were content to adhere to the basic and necessary charity regulations. By implication this meant their organisation practiced good governance to the extent that they complied with the requirements of the legislation and instructions from regulators. Assuming adherence, however basic, then governance had to be seen as 'good' since trustees were simply doing what was required of them. Other trustee boards progressed a stage further developing additional procedures most of which were established from the published material. This was classified as Intermediate and was

one stage further developed from Minimum Basic. Here trustees were fully compliant with the legislation and there was evidence of them also adopting aspects of the Charity Governance Code or Commission publications CC3. The implication being that they were aware of the issues highlighted and were attempting to adopt at least a proportion of them. Finally, the research showed some trustee groups had developed a stage further by developing new aspects of good governance not included in either the legislation or the guidance material. Specifics included training appraisal techniques, together with board diversity procedures which were all part of this process.

Drawing this together made it possible to develop a three-stage conceptual model of good governance. The stages were:

7.2.4 **Minimum Basic.** Good governance here relates to board and trustee adherence to basic legislative requirements. Rules were followed and compliance was adhered to and by implication good governance therefore was achieved. Examples included charities Elderly 1 and Education 1 where the evidence indicated they did exactly what the legislation required.

7.2.5 **Intermediate.** This was the development of one stage further from Minimum Basic. The legislation was adopted and followed but some aspects of good governance procedures were developed from within the published guidance documentation. Here trustees and boards went beyond the required legal requirements to add and develop additional and improved governance procedures. Examples included charities Children 1 and Rights 1. The former attempted to develop a diverse board structure which met with problems while the latter attempted to cultivate both a diverse board structure and a basic training scheme on limited resources.

7.2.6 **Advanced.** The evidence here suggested that some trustee groups developed governance procedures which were neither included in the legislation nor the guidance material but were nevertheless being established and developed from within their own organisations. Such procedures included appraisal training and specifically developing diverse boards with associated procedures. The evidence suggested that some of these trustees were importing these methods from outside the sector based on their individual knowledge and experience. Examples included charities Elderly 2 and Education 2 where both developed governance schemes that were neither in the legislation or the guidance material.

### 7.3 Implications for the sector and individual charities

This has implications for both individual groups as well as the charity sector. The opening abstract (page iii) stated that for individual charities the model ‘would deliver a regulatory field in which innovation could still flourish but a strong framework of support would be retained. It also allows for a range of trustee competencies within the sector to be encouraged and supported’. This last sentence was intended so that trustees would be allowed and encouraged to develop governance schemes that they felt were appropriate for their own organisation. Yet this had to be tempered with an understanding that this needed to be within a regulatory framework. Comment was made throughout as to the problems faced by regulators in trying to improve trust within the sector from both the general public and charity stakeholders. This developed model, together with a strong regulatory framework and developed guidance procedures would allow for this to develop.

The intention was that this model would apply to all charities irrespective of size or objectives although it was accepted that the larger and more developed organisations would probably already have in place policies and procedures considered pertinent to good governance. There was no intention for this to be viewed as obligatory but rather similar to the guidance material reviewed earlier, the aim was to allow trustees to consider and review their organisation’s governance procedures and ultimately strive for improvement both for their benefit and ultimately the sector as a whole.



The evidence had already indicated that some trustees were developing aspects of good governance that were over and above what was being suggested by both the regulation and guidance material. The suggestion was that they had already introduced aspects of good governance that were felt to be appropriate for their organisation. This gave credence to the idea that the model, or some aspects of it, had already been developed by some trustees. When considering governance in chapter two, mention was made of the difference between unitarist and pluralistic theory and it had been stated that both the legislation and the guidance material adopted a unitarist theme. However, as noted on page 30 (section 2.6.2) pluralistic theory 'assumes that individuals will work, not necessarily for themselves but for the community of which they are serving. It is democratic in outlook and is both inclusive, encompassing and represents a significantly wider governance perspective'. A considered view would be that the keyword is 'democratic' whereby individuals will work for the benefit of the community that they serve. This three-stage governance model would encourage such collaboration and allow improved governance procedures to be developed but still within a regulatory environment.

The last comment has strategic importance since it is hoped that it would allow new ideas and procedures to flourish but within the confines of existing rules. Effectively it would act as a catalyst to other trustee groups to improve their procedures and act as something to be aspired to similar to the comments made about guidance material on page 96 (section 4.15). As has been shown, some charities already go in excess of expectations and this model would encourage improved procedures that others could develop but within a controlled environment. The idea would be to allow for good governance procedures to develop embryonically and the aim of this research has been to act as a catalyst for this. What has been shown is that there are already trustees who are aware of the demands that are placed on them and in some cases are accepting that challenge and developing good governance procedures. For the sector to continue to develop and thrive, this aspect requires encouragement but within a structured environment.

The comments from Coule (2008) in respect of unitary or pluralistic theory also require note since it was shown that trustees are often inconsistent with their actions and therefore 'it should be borne in mind that practitioners do not necessarily operate consistently within a

particular stance' (p.246). As she indicates there are often different pressures and 'trustees and managers can and do make conscious choices about if and to what extent they conform to or resist such external pressures' (p.234). As stated on page 2 (section 1.2) 'This idea that governance is a multi-faceted concept has been one of the main driving themes behind this thesis'.

#### 7.4 Final thoughts

This data and subsequent analysis allowed for the following conclusions:

- 7.4.1 In terms of legislation and guidance material, there was a significant increase in material over the period in question. The evidence suggested that this had also become more complex and technical with greater expectations placed on trustees and charity boards.
- 7.4.2 Both legislation and guidance material adopted a unitary governance ethos based on principal-agent approach. This was similar to the commercial sector that saw governance and control become the responsibility of a narrow group of individuals. There was little evidence to suggest that significant pluralistic concept was prevalent in this material.
- 7.4.3 Trustee groups broadly supported this and the evidence indicated a desire to develop good governance procedures. Some trustees had knowledge and experience from outside the sector which they used to develop improved processes.

#### 7.5 Contribution to knowledge

This research developed the following:

- First, it provides an examination of the changes both legislative and guidance based that have attempted to encourage good governance within the context of English and Scottish charity jurisdiction.

- Secondly, the thesis illustrates how boards and trustees are adapting to these new procedures.
- And finally, a model of good governance is developed that is aimed at encouraging improved governance procedures but from within a controlled regulatory environment.

Having established these overall strategic achievements, the following are deemed to be the additional individual contributions developed from this research.

#### 7.5.1 Public expectations

The evidence suggested that the charity sector survives on public support and there was a symbiotic relationship with individual supporters who, for a variety of personal reasons, offer support in ways not always financial. This relationship is different from any commercial or other interaction and is built on trust. Hyndman and McConville (2018) state 'In the UK charity sector, increasing public trust and confidence in charities is the first, arguably, the most important, objective of the Charity Commission' (p.227). Kearns (2014) states 'without public trust, nearly every other resource that a non-profit organisation uses to advance its mission will be jeopardised' (p.234). According to Bryce (2007) public trust in the sector is crucial if it is to be effective. He states, 'a principal responsibility of all non-profit management is to strengthen that trust and to restore it if it is impaired by their policies, decisions, actions, omissions, or under their supervision' (p.128). Yet Yang & Northcott (2019) states 'that trust has diminished, with a perceived lack of accountability seen as a key reason' (p.1681). Furthermore, they add that 'Although regulation of the charity sector serves some role in providing accountability to support public trust (Cordery and Deguchi, 2018; Horizon Research, 2016; Populus, 2016;), it is thought that charities' direct accountability to the public remains underdeveloped and they struggle to know how to achieve it (Hyndman and McConville, 2018) (p.1682). This would suggest there is still much to do if the sector is to develop a trusting and encouraging relationship with their stakeholders. It would be reasonable to suggest that good governance falls under this remit and the relationship between stakeholder and trustee is a critical component. Bryce (2007) states 'the public's trust cannot be an amorphous concept. It must relate to what managers do, can do, and can undo under the circumstances' (p.129). From the academic comments, trust and the

relationship with the public is of critical importance. Because of this the Charity Commission for England and Wales now conduct yearly appraisals of public trust and as noted in chapter six, this metric has ebbed and flowed over the last decade. The 2021 survey states 'The public continues to hold charities in high regard. With this comes high expectations' (Public trust in charities 2021: web version, 2022). Given such parameters it would be reasonable to suggest that governance and more especially, good governance forms a significant part of this equation. It is therefore reasonable to suggest that this thesis has contributed to our knowledge of the subject in a number of areas.

#### 7.5.2 Development of a model of good governance.

This study developed a three-stage conceptual model of good governance which aimed at encouraging improved procedures within the sector and allowed trustees to innovate and grow their own strategy whilst still working within a supported and robust regulatory framework. It was recognised that trustees need to be given this freedom to evolve yet to work within a specific guidance framework. The study also showed that some trustees developed improved governance by developing ideas and methods not necessarily included in either the legislation or the guidance material. The developed model can adapt to changing circumstances as well as a changed regulatory environment. The model is new and will allow future researchers and practitioners to understand and develop their own governance procedures within their respective organisations which it is hoped will over time allow for the development of improved governance practices. It has also been developed with both legislation and guidance material in mind. The legislation will provide an appropriate system of control to ensure that the relevant statutes are adhered to while the guidance will allow and encourage trustees to develop procedures, they feel are appropriate for their own organisation. Trustees need to be at the epicentre of any governance improvement and this model will allow this development to flourish.

#### 7.5.3 Add to governance knowledge.

This study contributes to the academic work on governance when viewed from a legislative and guidance perspective. Cornforth (2001) states principal-agent theory has been dominant within the commercial and corporate world which has also permeated the charity sector.

Based on control and compliance, Cornforth (2001) urges caution and some caveats as to its appropriateness but accepts that 'many aspects of this perspective still have relevance' (p.3). Harris (1994) concurs and identifies this as the traditional governance model where boards monitor management and ensure compliance. Cornforth (2001) also considers separately stewardship theory which sees owners and managers 'share interests' in what he terms a 'partnership' approach. This has a resemblance to agency theory, as it is based on a unitary perspective but is grounded more on what Muth and Donaldson (1998) term as a 'human relations perspective' where boards and managers work together to achieve group objectives. Cornforth's (2001) view is that 'the main function of the board (under stewardship) is not to ensure managerial compliance or conformance, but to improve organisational performance' (p.3).

The evidence from this study indicated that principal-agent theory was still the dominant ethos within the published legislation with specific instructions and expectations of both trustees and boards. The highlighted comments showed that trustees were adopting this ethos, which was unsurprising given that legislation, by implication, was always going to be instructional.

Most trustees referenced aspects such as monitoring, control and regulation but with little mention of improving performance.

The three accountabilities that were referred to were.

- 1) Members,
- 2) Stakeholders and
- 3) Registrar (in this case the Charity Commission or the Scottish regulator).

Chapter six implied that there was a proportionate level of support for the regulations relevant to the sector which further adds to this concept.

Secondly, the evidence also showed that the published guidance material was also based on a unitary approach but as suggested in the previous chapter, it adopts on a 'much wider, less prescriptive, less authoritarian approach' (p.173). The evidence also suggested that the

legislation adopts a principal-agent approach whereas the guidance documentation takes a more stewardship method but with both being unitary in perspective.

This study has shown that principal-agent theory was still the prevalent and dominant governance ethos within this analysed group and that the trustees who were interviewed were thoroughly compliant. The comment from Cornforth (2001) regarding 'improved performance' did not appear relevant from the data available regarding this group.

#### 7.5.4 Encourages training and trustee development.

The study indicated the change in nature and complexity of legislation and regulation that had occurred over the period since 1960. These changes led to the recognition that improved training for trustees was required since this had been an issue for several years (Tumin, 1992). The National Council of Voluntary Organisations (NCVO) in 1992 developed a working party on training, the result was the publication of 'On Trust: Increasing the Effectiveness of Charity Trustees and Management Committees'. In 2017 the House of Lords Select Committee report on Charities states that 'there should be a new focus on training and continuous professional development for charity boards to improve trustee skills (p.25). Yet the evidence from the Charity Finance Group survey in 2017 indicates that 'The results suggest this may be an issue as 59% of charities do not budget for trustee training' (p.5) and in respect of finance training 'Only 22% of charities indicated they always made available charity finance training for trustees that needed it (p.6). This suggested that in depth training was not universal within the sector which correlates with some of the evidence from this study. As shown previously, charities Elderly 1 and Social 1 did simple basic adherence to the rules and little else in terms of governance while others, like Education 2 and Visual 2 developed significant training techniques.

#### 7.5.5 Develops trustee effectiveness.

Brudney & Murray (1998) state that 'In recent years, boards of directors of non-profit organisations have been subjected to considerable criticism for ineffectiveness' (p.333). Their analysis is specifically about changing board parameters but their work highlights other relevant academic material that considers how trustees can be encouraged to become more

effective. Notably the work of Holland, Chait and Taylor (1989) and Jackson and Holland (1997) was reviewed and concludes that 'a systematic program of board development did result in more effective board governance' (p.333). This subject has attracted other academic debate particularly Brown (2007) who states that 'Effective boards are associated with organisations that tend to perform better in terms of both fiscal performance and perceptions of organisational effectiveness' (p.301). The conclusion is that 'it supports the contention that board development practices lead to stronger board members and stronger board members are a significant predictor of board performance' (p.312).

This study draws a similar conclusion and adds weight to the idea that a well-trained trustee board can be beneficial. Broder (2009) initially compares the commercial with the charity sector and states 'Although programs offering formal training for directors have become increasingly available, the norm is still for charitable or not-for-profit directors to serve with little or no training' (p.3). From this objective assessment he further concludes that 'Without adequate training a solid understanding of their responsibilities and authority, directors often shy away from questioning or challenging the information they receive or the proposed courses of action.' (p.3). Although written from a legal perspective the intimation is that training at any level within a board function can only be beneficial.

This further endorses the concept of managerialism developed by Mayo (2003) and others, but examination of the academic literature suggests that like charity governance theories, this too is a contentious area. Shepherd (2018) is one of several who are critical of the concept and states 'managerialism remains an under-theorised and elusive concept that has multiple definitions and blurred boundaries' (p.1668). The debate about the advantages or disadvantages relative to managerialist logic is outside the scope of this study but from the evidence, there appeared to be a desire by some of the trustees to ensure that their boards had the relevant skills and knowledge to both develop their organisations and achieve their organisational objectives. As the evidence indicated, these boards often comprised of individuals of varying knowledge and experience. The study suggested that improved training and development would aid governance procedures, but this may at first appear obvious. Evidentially this study showed that the legislation since the 1980s had become more involved and complex and that it is exclusively unitary in governance ethos. There was an expectation

of trustees that they would adopt this top-down approach and, as the interviews showed, be compliant with the necessary rules and regulations. The interviews with these trustees indicated they were keen to do well and in some cases were aware that they did not possess the relative skills to achieve this. As the evidence showed, some relied on 'expert' colleagues or in some cases, effectively outsourced the work to professional groups. As regards training, the evidence also indicated that these trustees were eager to develop these skills to ensure that their responsibilities were discharged properly.

## 7.6 Limitations of this study

Charity governance as a subject attracts strong academic debate and there is also a diversity of opinion as to what it constitutes and how to define good governance. Chapter two indicated some of the research that has been conducted on this topic as well as the diversity of opinions. During this study, it has been alluded on several occasions as to the comment from Cornforth (2004, p.12) that, 'Given the complexity of governance, the search for a unifying grand theory is unlikely to prove fruitful'. As this study draws to a close, this comment is still both relevant, insightful and despite the analysis and research, still highly relevant. There is unlikely to ever be one theory of governance applicable to all.

### 7.6.1 Pandemic

The worldwide pandemic caused significant disruption and the organisations chosen were severely restricted for nearly 18 months. The ideas and concepts developed from the research proposal had to be rearranged and with most individuals working from home, it was only possible for interviews to be conducted virtually. Despite the obvious challenges this created, it was felt that sufficient high-quality data had been obtained and then analysed and developed which was both significant and appropriate for the overall study. The original proposal aimed to consider additional material such as board minutes and meeting reports, but the national restrictions in operation at the time meant this was not achievable. There was also a desire to interview non-trustees and employed senior charity staff at their place of work, which was felt would provide fruitful additional data but this too had to be abandoned at an early stage. There was also an awareness of the problems of sampling from within one specific group which in this study was the trustees. The original idea was to sample and



develop outside of this and this was based on academic analysis that the natural state of pluralism only becomes apparent when sampling outside the dominant group. Ridley-Duff (2014) states that it 'retains aspects of liberalism by favouring voluntary associations that permits a diverse range of social and political norms, loosely connected through networks and trading relations' (p.4). In comparison, unitary theory is more prescriptive and conditional. The emphasis therefore is that only by sampling outside the dominant group, where there is less enforcement of social norms, will the tilt towards unitarism be countered. More specifically Ridley-Duff (2014) states under pluralism 'All stakeholders have a route to membership' (p.18) which will further dilute the dominant governance concept. The conclusions in this study indicate a support from the participants for unitary governance ethos which runs parallel to similar studies. However, because of events the sample regime restricted the plans for this and this needs to be considered as a limiting factor.

#### 7.6.2 Content Analysis.

The content analysis of the legislation and literature proved to be both demanding and interesting in equal measure. Demanding because research of this material via this method was unique having not been attempted before and there was also a personal desire to ensure that the resulting review equated to high quality research. Interesting because from a personal perspective, having spent my entire working life within the charity sector I have witnessed the development of much of the legislative material. As a practitioner I have seen it both develop and evolve.

One of the problems of this method of research, was the volume of data that was generated that subsequently required processing. Whilst NVivo was a useful software tool, relative lack of experience and understanding meant that after basic processing it was decided to download the data file into Microsoft Excel which allowed a thematic analysis of the data to then be developed. Subsequently this saw the emergence of the relevant themes from within the data after being processed within a software environment.

### 7.6.3 Trustee interviews

Another limiting factor involved the interviews conducted with trustees which formed the second stage of the study. The number was small although effort was made to ensure this was a representative sample and the final number was considered appropriate. The original proposal intended to interview a larger group to develop a wider data field but the worldwide pandemic, as mentioned above, intervened. A possible limitation is that because only the dominant group were interviewed, then the study, rather unsurprisingly, found strong support for the ideology of the dominant group. Furthermore, some of the interviews were conducted before the content analysis had been completed and this meant that there was a need to conduct more interviews at a later stage. Much of this related to the pandemic issues encountered at the time and something that would not be done in any future research.

### 7.6.4 Methodology

From a personal perspective, the research methodology proved a problematic area to develop. My own ontological and epistemological perspective initially leaned towards a subjective philosophy of which critical theory and postmodernism were considered appropriate. Yet from an axiological perspective this was difficult to assimilate and as an alternative a philosophy of neo-empiricism was chosen. This was considered as a 'halfway house' between strict positivism, associated with the objective principles of quantitative methods and the subjective views of qualitative methods. Furthermore, there were benefits that accrued from this philosophy in terms of the desire for objectivity. It allowed the researcher, with their own subjective views, to move beyond these and develop protocols that allow for this objectivity to be developed within the research field. As the intention was to interview participants with knowledge and experience of the sector, the aim was to review the subjective reactions of these participants in all aspects relevant to good governance. The objective was always to be independent of events and build on the reactions of these participants and develop the data. Whilst aware of the criticisms of neo-empiricism (Johnson, Buehring, Cassell & Symon (2006, p.139)) the view was that this was an acceptable risk parameter in these circumstances. The considered view was that the chosen research methodology fitted these research aims.

All research encounters limitations and this was no different. Despite this, the aim was to add to our understanding of charity governance and consider how trustees were adapting to these increased expectations and demands. Trustees were seen to be both knowledgeable and compliant of the published legislation which by implication meant that they were practising aspects of good governance. The developed conceptual three-tiered system suggested that some have developed additional procedures, while others went further still. This allowed for the development of a structure of governance based on Minimum Basic, together with additional advanced levels.

## 7.7 Recommendations for future study

Although this was a small study, the conclusion suggested that there is scope for further academic research.

### 7.7.1 Three stage conceptual model

Having established this conceptual governance model, it would benefit from further additional research work. It suggests that boards and trustees can be divided into specific groups relative to their views and actions in respect of governance procedures. Therefore, the suggestion would be that future research could develop this idea with a larger study group to gain more data and by implication, a better understanding of the issues involved. The study concurs with earlier academic research (Brudney & Murray, 1998. Holland, Chait and Taylor, 1989; Jackson and Holland, 1998) that board training and development encourages improved governance. Aware of this together with the conclusions from this study would suggest that further research would be advantageous. Furthermore, any further research may wish to review whether a three-stage model is sufficient or even considered appropriate when developed with additional information.

### 7.7.2 Charity staff

Any additional research would benefit by including interviews with employed paid staff, particularly senior managers, which was one of the aims that had to be abandoned. There was disappointment at this as it was felt that this would have allowed the thesis to develop further. More analysis of organisational minutes and meeting notes may have added to our

knowledge of internal attitudes and culture in respect of governance since the overall aim was to develop a broader understanding of these issues particularly from an employee perspective. Unitary theory was shown to be prevalent within the legislation and guidance material, so as indicated, this was adopted by trustee groups. Developing data from the perspective of this employed group tasked by the trustees may widen our understanding of governance and its application. Unitary theory with its ethos of control and compliance would impinge on these employees whereas a pluralistic style would imply a different management style and therefore a distinctly different experience for them.

### 7.7.3 Legislation

The study showed that well into the 1980s trustees were able to develop and run their organisations with minimal legislative control suggesting that a more pluralistic governance ethos was prevalent. This was effectively abandoned in the 1990s with a change in government attitude and a change in philosophy to a more unitary style. Yet what the research evidence has indicated is that some trustees were currently 'pushing the boundaries' and developing aspects of governance that were neither included in the legislation or the guidance documentation. A future study could develop this scenario to establish if a more pluralistic style of governance would equate to improved governance procedures. This study has shown how trustees and their boards have reacted to a legislative and a guidance system that is unitary in ethos. Further study may develop this and discover how trustees would deal with governance procedures under an overtly pluralistic style of legislation.

### 7.7.4 Influence and lack of direct evidence.

Faced with greater legislation and more guidance, the research showed that trustees have adopted different and often novel ways of dealing with these changes. Examples included the conference that was effectively turned 'on its head' (Education 2) and the attempts by others to diversify board structures (Children 1). But the unanswered question was the lack of evidence that indicated that trustees were being directly influenced by these changes and it was hard to show any direct influence. There was however some evidence to show influence from the press (Marcus Rashford and Children 1) and disadvantaged stakeholder groups

(Rights 1) and the supposition was that trustee actions and attitudes may have happened anyway as a direct result of learning and experience.

#### 7.7.5 Developing trustees

Finally, this study indicated that some trustees were more keen than others to develop improved governance procedures. The governance model is indicative of this and there was some evidence that this was because of experience and training received outside the charity sector. If trustees were developing additional procedures, then the question must be why is this occurring and what is the reason for this? This study concluded that training and development of boards may improve procedures and future research may wish to develop and broaden this understanding. There was some evidence of boards effectively outsourcing legislative and compliance issues where they felt unable to deal with specific and often complex procedures.

#### 7.8 Concluding remarks

The events of the last three years, particularly in respect of the disruption caused by the worldwide pandemic meant that my personal hopes and expectations for this research had to be significantly scaled back, much to my disappointment. Nevertheless, at the end of the process I am content that there is still a robust set of conclusions, developed from high quality data which outlines aspects of good governance within the sector and especially, how trustees are dealing and developing this. My hope would be that at some future point this could be carried forward and developed further. The original aim was to interview charity staff which obviously would have added to the data available but obviously this had to be curtailed because of ongoing events. Despite these problems and notwithstanding attempting to conduct doctoral research in a pandemic, the fact remains that solid and important conclusions were developed and the hope would be that this study will have added something to an already complex and involved area.

The charity sector within England and Scotland is a genuine ‘force for good’ frequently dealing with aspects of society that the commercial sector would simply ignore. Donaldson & Preston (1995) state that ‘a firm was viewed by Adam Smith (1937) and by contemporary investors

as an organisation which obtained resources from its investors, employees and suppliers to produce goods and services for its customers' (p.184). At no point was there mention of any societal responsibility. McKay et al (2015) adds 'Charitable activity has traditionally caused much anguish for neoclassical economists as philanthropy, volunteering and co-operative behaviour fall outside of the scope of rational choice behaviour' (p.338). The insinuation being that charities are an anomaly in a free market and therefore distort it. Clearly this is not a view I subscribe to but where the market will not provide, charities need to fill that void. Improved governance can not only benefit the sector but also the rest of society and I would hope that this research would in some small way, allow for this to develop and grow. In the introduction I quoted Malik (2008) who states 'Charity is a deep-rooted element of human behaviour. It aims to provide emotional, spiritual, and material comfort to those in need' (p.37). Furthermore, Morgan (2015) is succinct in his view and is a quote I have often used. He states 'Charity is about putting others first - often people we will never meet, sometimes even future generations not yet living - before the needs of ourselves and our immediate families' (p.21). He continues, 'It's about a fundamental obligation to the wider society, providing benefit to the public in the widest sense of that term and especially to those sections of the public in greatest need' (p.21). This is why I consider the sector to be so crucially important for society now and into the future. There have been problems and issues (some of which I have alluded to) but I remain optimistic for the sector as it develops in the future. In the following years, I sincerely hope that I am proved correct.

## 8. Appendices

### Appendix 1. Interview questions.

1. What is your current involvement and role within your charity?
2. What do you understand by the term ‘governance’?
3. What do you consider constitutes ‘good governance’?
4. Are you aware of any guidance issued by the following?
  - Charity Commission
  - Other agencies
5. What do you understand by term charity regulation and legislation?
6. What do you understand by the term charity guidance?
7. Have you had an interaction with charity regulatory bodies?
8. As a trustee do you have regular trustee meetings?
9. Have you had any problems and issues and if so, how have they been dealt with?
10. What training (if any) have you received?
11. How do you view the role of Chief Executive Officer?
12. How do you view the role of employees?
13. What is the role of the stakeholders?
14. How do you view the future of your organisation post covid?
15. Do you have any other questions for me?

Reference to appendix 1 is included in section 5.1 (page 104)

### Appendix 2. Thematic analysis development in Microsoft Excel.

	D	E	F	G		I	J	K	
1	governance	trustees	appaisal	board problems	RH RUSSELL HOBBS Attended as an observer and witnessed a car crash. Trustees bullying CX. Dictating to management team. TV issue. So tightly controlled. 17/09/2021 21:15 @mention or reply	training	income	shadow boards	tran
2	success	funding	governance	training		shadow boards	effective board	roles	col
3	income	funding	covid	trustees		recruitment	governance	appraisal	tr
4	history	funding	sustainability	governance accountability		appraisal	commission	governance	p
5	history	guidance	governance	employment issues		changing world	trustee/ vounteer	training	trust
6	history	governance	recruitment	appraisal		diversity	stakeholders	employees	tr
7	history	governance	Funding	training		Problems			
	history	objectives	Funding	Trustee - v - work	Trustee	Trustee	Recruitment	training	Gov

Reference to appendix 2 is included in section 3.14 (page 63)

## **TITLE OF THE STUDY**

### **An investigation into English and Scottish charity governance in the regulatory era.**

I would like to invite you to take part in a research study. Before you decide you need to understand why the research is being done and what it would involve for you. Please take time to read the following information carefully. Ask questions if anything you read is not clear or if you would like more information. Take time to decide whether to take part.

#### **LEGAL BASIS FOR RESEARCH FOR STUDIES.**

The University undertakes research as part of its function for the community under its legal status. Data protection allows us to use personal data for research with appropriate safeguards in place under the legal basis of public tasks that are in the public interest. A full statement of your rights can be found at <https://www.shu.ac.uk/about-this-website/privacy-policy/privacy-notices/privacy-notice-for-research>. However, all University research is reviewed to ensure that participants are treated appropriately, and their rights respected. This study was approved by UREC with Converis number ER18730965. Further information at <https://www.shu.ac.uk/research/ethics-integrity-and-practice>.

#### **WHO I AM AND WHAT THIS STUDY IS ABOUT?**

My name is Russell Hobbs, and I am a doctoral student in the Business School at Sheffield Hallam University. My interest is in the Not-for-Profit sector. Over the last twenty years there has been a significant increase in charity legislation and by implication this has created more regulation. My research intends to investigate how charity boards (and by implication) trustees are responding to this increased workload and investigate whether this has consequences for the organisation they are responsible for. This has specific reference to governance issues.



### **WHAT WILL TAKING PART INVOLVE?**

Taking part in this research will involve a series of interviews with a variety of people. The intention is that these interviews will be recorded in line with the ethical and security procedures of the University.

### **DO I HAVE TO TAKE PART?**

Participation in this research project is entirely voluntary and you will have the right to refuse to take part. A copy of the information provided here is yours to keep, along with the consent form if you do decide to take part. You can still decide to withdraw at any time without giving a reason, or you can decide not to answer a particular question.

### **WHY HAVE YOU BEEN INVITED TO TAKE PART AND WHAT WILL I BE EXPECTED TO DO?**

You have been selected because either you are a trustee of your organisation or because you are part of the senior management team. You will be asked about your experiences and views on several issues relating to charity legislation and regulation.

### **HOW OFTEN WILL I HAVE TO TAKE PART?**

There is likely to be two interviews as part of this project. The first one will be the main one which should last less than one hour. If necessary, there may be a short follow up to clarify any outstanding issues. I would not expect there to be any more than this.

### **WHAT ARE THE POSSIBLE RISKS AND BENEFITS OF TAKING PART?**

A full risk assessment has been instigated prior to the start of this research. It is negligible risk for all participants. I am unaware of any possible physical or psychological harm that may come to you because of participating in this research but if this occurred the interview would be abandoned, and help sought.

The possible benefits of taking part will be to add to our understanding and knowledge of this aspect of charity legislation.

**WILL TAKING PART BE CONFIDENTIAL?**

Taking part will be confidential and in line with the ethical procedures of Sheffield Hallam University. A copy will be given to you. All results will be anonymised, and any data gathered will be stored on the dedicated research secure servers of the University. The only occasion in which confidentiality would have to be broken would be if I had a strong belief that there was a serious risk of harm or danger to either to yourself or another individual (e.g., physical, emotional, or sexual abuse, self-harm, or suicidal intent) or if a serious crime has been committed. All non-anonymised data in the form of signed consent forms and audio recordings will be collected and retained as part of the research process.

**COPYRIGHTED DOCUMENTS AND MATERIAL NOT IN THE PUBLIC DOMAIN.**

During this research, there may be occasions when reference is made to either copyrighted documents or information that is not in the public domain. This will be confidential in line with the ethical procedures of Sheffield Hallam University.

**HOW WILL INFORMATION YOU PROVIDE BE RECORDED, STORED AND PROTECTED?**

The interview will be recorded and stored as noted above and will in line with the ethical policy of the University. A copy will be provided to you.

**WILL ANYBODY BE ABLE TO CONNECT ME WITH WHAT IS RECORDED AND REPORTED?**

All details obtained during the interview process will be confidential and all data anonymised via a coding system.

**WHAT WILL HAPPEN TO THE RESULTS OF THE STUDY?**

The intention is that the results of this study may be disseminated to a wider population and this could include conferences, publications, and notes for teaching use.

**HOW CAN I FIND OUT ABOUT THE RESULTS OF THE STUDY?**

All participants in this study will have the opportunity to be fully debriefed on the results at the conclusion of the work.

## WHO SHOULD YOU CONTACT FOR FURTHER INFORMATION?

<p><b>You should contact the Data Protection Officer if:</b></p> <ul style="list-style-type: none"><li>• you have a query about how your data is used by the University.</li><li>• you would like to report a data security breach (e.g., if you think your personal data has been lost or disclosed inappropriately)</li><li>• you would like to complain about how the University has used your personal data.</li></ul> <p><u><a href="mailto:DPO@shu.ac.uk">DPO@shu.ac.uk</a></u></p>	<p><b>You should contact the Head of Research Ethics (Professor Ann Macaskill) if:</b></p> <ul style="list-style-type: none"><li>• you have concerns with how the research was undertaken or how you were treated.</li></ul> <p><u><a href="mailto:a.macaskill@shu.ac.uk">a.macaskill@shu.ac.uk</a></u></p>
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Postal address: Sheffield Hallam University, Howard Street, Sheffield S1 1WBT Telephone: 0114 225 5555

Reference to appendix 3 is included in section 5.1 (page 104)

*Appendix 4. Participant consent form.*

### TITLE OF RESEARCH STUDY:

**An investigation into English and Scottish charity governance in the regulatory era.**

*Please answer the following questions by ticking the response that applies.*

- |   | <b>YES</b> | <b>NO</b> |
|---|------------|-----------|
| 1. I have read the Information Sheet for this study and have had details of the study explained to me.                                |            |           |
| 2. My questions about the study have been answered to my satisfaction and I understand that I may ask further questions at any point. |            |           |

3. I understand that I am free to withdraw from the study within the time limits outlined in the Information Sheet, without giving a reason for my withdrawal or to decline to answer any particular questions in the study without any consequences to my future treatment by the researcher.

4. I agree to provide information to the researchers under the conditions of confidentiality set out in the Information Sheet. This may include any copyrighted material or other material not in the public domain.

5. I wish to participate in the study under the conditions set out in the Information Sheet.

6. I consent to the information collected for the purposes of this research study, once anonymised (so that I cannot be identified), to be used for any other research purposes.

**Participant's Signature:** \_\_\_\_\_ **Date:**

**Participant's Name (Printed):**

**Contact details:**

**Researcher's Name (Printed):** Russell Hobbs

**Researcher's Signature:**

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**Please keep your copy of the consent form and the information sheet together.**

Reference to appendix 4 is included in section 5.1 (page 104)

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