

## RESEARCH ARTICLE

# Many stones can form an arch, singly none: (Re-)establishing trust in charities

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**Abstract**

Trust in charities is critical in terms of the health of the sector, and also in relation to the establishment and maintenance of social cohesiveness. Moreover, lack of trust can not only damage the charity sector (having negative impacts on public perceptions and donor giving) but can also undermine attempts at building social capital. Yet, how trust is defined, the various forms that it takes and how it is established (or re-established, if lost) is unclear. This paper explores the various conceptions of what trust is, applies them to charities and examines trust in relation to the sustainability of the sector. A key finding is that trust has many dimensions, and charities (and the sector as a whole) need to work on a range of fronts on an ongoing basis to protect and build perceptions of trustworthiness ('many stones can form an arch'). As a consequence, the paper presents an outline research agenda (in the form of four key questions) that encourages future researchers to enhance understanding of the important interplay between trust and charities more fully. This focuses on the relationship between charities and beneficiaries, how trust-building activities vary with charity size/area of activity, the potential role of communicating service delivery and what 'good regulation' might look like.

**KEYWORDS**

charities, charity research agenda, trust

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## 1 | INTRODUCTION

Charitable organisations are pervasive and often much-treasured (Phillips & Hebb, 2010). They exist in most societies and are facilitated through various administrative frameworks by, for example, tax advantages and differing legal requirements. They vary from general nonprofit organisations in that they focus on goals of a philanthropic nature that are deemed by individual societies to serve the public interest or common good and, because of the particular advantages often enjoyed by them, they have a much wider accountability to both society at large and the general public (Dhanani & Connolly, 2012). Consequently, what is 'charitable' may vary according to jurisdiction<sup>1</sup>. It is commonly expected that charities will both 'do good' (create positive change and perform activities that society values – support the disadvantaged and socially excluded, care for the sick, provide much-needed education, protect the environment etc.) and 'be good' (spend wisely and act ethically) (Hyndman, 2018). Charities are (or at least should be) distinctly different from either the public or private sectors in terms of focus, motivation, governance processes, how they are funded and contribution to society. They are mission driven and exist to provide public benefit; they are nonprofit and are usually largely funded and supported by individuals and organisations that receive no direct economic benefit; they make distinctive and widely recognised contributions to the public good by building social capital, often affording a foundation for social cohesiveness.

In many countries, the charity sector is large. For instance, in the United Kingdom (UK) alone, there are over 200,000 registered charities; with, additionally, various 'exempt' charities (mainly universities and museums) and 'excepted' charities (including religious charities) not required to register. Illustrating jurisdictional distinctions and the fact that the boundary of the charity sector is nationally determined, universities, museums and religious organisations are not deemed charitable in all countries. Registered charities in the UK generate an estimated income well in excess of £80 bn, employ approximately two million staff and rely on the unpaid inputs of over four million volunteers (Charity Commission, 2020a; Charity Commission for Northern Ireland, 2019; Office of the Scottish Charity Regulator, 2019). The sector is made up of a relatively small number of large charities accounting for a significant proportion of the total sector income, and a large number of small (often local) charities generating limited amounts of funding (House of Commons, 2015). Among the UK sector's largest and best-known names are Oxfam, Macmillan Cancer Support and the National Society for the Prevention of Cruelty to Children. It is a sector that, given its size and the type of activities undertaken, is highly visible. However, charities are particularly fragile organisational forms because of the (possibly extensive) demands relating to their (often ambitious) social missions and their overwhelming dependence on the willing engagement of a range of external stakeholders, many of whom act for altruistic motives (particularly donors, funders and volunteers).

Given this, trust in charities (albeit considerations of how trust is defined, and questions of trust 'by whom' and trust 'in what' are often to the fore) is critical to the health and growth of the sector (and, indeed, its ability to access funding). Moreover, lack of trust can damage the sector significantly, having negative impacts on public perceptions and donor/funder giving (Hind, 2017). Hansmann (1980) argues that understanding the concept of trust is pivotal to appreciating the role and function of nonprofits (including charities) in capitalist societies. Indeed, the importance of trust is so central that, in the UK, the regulators of the sector are specifically tasked with seeking to increase public trust and confidence in charities (Charity Commission, 2020b). However, over the past decade, the public's trust (as measured in surveys) has declined and this has created significant challenges to both the sector as a whole and to individual charities, particularly as they seek to respond to ever-increasing beneficiary needs, aspects of which are

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<sup>1</sup> Typically, in many countries, nonprofit organisations that have a mission imperative that is considered 'charitable' by serving the general public interest (in terms of, for example, the relief of poverty, the provision of medical care or the advancement of education) and operate exclusively for such purposes, are deemed charities. To avail of such a designation, they would normally have to register with an appropriate regulator and, consequently, would be afforded significant tax benefits and the 'signalling' advantage of being deemed a charity (Hyndman & McDonnell, 2009; Connolly, Hyndman, & Liguori, 2017). General nonprofit organisations do not need to operate for charitable purposes; they can operate for civic improvement, pleasure, sport, recreation or any other purpose. However, they cannot have a profit objective, and none of the organisation's surplus (or net profit) can benefit any individual. Hence, while all charities are nonprofit organisations, not all nonprofit organisations are charities.

amplified amid periods of severe crisis (Charity Commission, 2018; Hind, 2017; Lalák & Harrison-Byrne, 2019; Pro Bono Economics, 2020).

The objectives of this paper are to explore the various conceptions of what is meant by trust, examine it in terms of the sustainability of the charity sector, present possible behaviours and strategies that charities may use to establish trust and, finally, to outline a research agenda for those interested in adding to knowledge in this area. Encouraging research into the building of trust (and trustworthiness) in charities, and, as a consequence, the generation and dissemination of theoretically informed, rigorous empirical analysis with respect to it, would seem essential and something to be particularly encouraged. Indeed, not only has it the potential to generate a greater understanding of the area (which is helpful for policy development relating to the sector), but it can also support the establishment of trust to underpin the functioning of individual charities. Key findings of the paper are that trust is critical to the health and growth of the charity sector, and it is multi-layered and arises in different ways for different types of charities. On this basis, it is argued that charities (as well as the sector as a whole) need to work on a range of fronts (hence the title to this paper, for many stones are indeed needed to construct an arch<sup>2</sup>) on an ongoing basis to protect and build perceptions of trustworthiness.

The paper continues as follows: the next section engages with previous work on what is meant by trust, examining it in terms of how it might be applied to charities. This is followed by a consideration of the importance of trust in charities for individual organisations, the sector as a whole and for society generally, and also a reflection on key findings of recent empirical research on trust in charities. The paper then outlines a research agenda for those interested in adding to knowledge in this area. This focuses on the relationship between charities and beneficiaries, how trust-building activities vary with charity size/area of activity, the potential role of communicating service delivery, and what 'good regulation might look like. The concluding section summarises the key themes of the paper and makes a call for scholars to embrace research related to understanding trust relationships in charities as a fertile and important field of work. While the focus of the analysis in this paper is on the charity sector, many of the matters that it raises are likely to be relevant also to most nonprofit organisations, whether recognised as charitable or not, and are likely to be pertinent in the vast majority of jurisdictions.

## 2 | TRUST AND THE CHARITY SECTOR

### 2.1 | Defining trust and helpful theoretical insights

Trust is a belief in the reliability, truth or ability of something or someone. Looking at it in terms of avoidance of inappropriate conduct, it can be considered as a state where a person or an organisation 'will never take advantage of stakeholder vulnerabilities by being fair, reliable, competent and ethical' (Bourassa & Stang, 2016, p. 15). Focusing specifically on stakeholder relationships, it has been viewed in terms of 'positive expectations regarding the other in a risky situation' (Das & Teng, 2001, p. 255).

Using a wider perspective, and exploring it in the context of an increasing cross-disciplinary literature, Rousseau, Sitkin, Burt, and Carmerer (1998, p. 395) define trust as 'a psychological state comprising one's intention to accept vulnerability based on positive expectations of the intentions or behaviour of another'. They opine that it is not a behaviour (e.g. co-operation) or a choice (e.g. risk taking), but rather an underlying state of mind that can cause, or result from, such behaviours and choices. Moreover, Heald (2006) sees it an essential element relating to the construction of social capital as it provides the 'oil' for interactions and associations.

The need for trust is viewed as particularly important in situations characterised by complexity, uncertainty or risk, and where there is lack of knowledge on the part of participants to a relationship (O'Loughlin-Banks & Raciti, 2014),

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<sup>2</sup> The expression in the title 'Many stones can form an arch, singly none' is from the song 'Step by Step', which uses words from a 19th century Mining Union rulebook that were put to music by the American folk singer Pete Seeger.

all fairly typical features of relationships between key charity stakeholders. However, when eventually established, the maintenance of trust requires continual attention, as it has been shown that, once created, it has the potential to fade over time and such loss has a significant impact on behaviour (Palmatier, Jarvis, Bechhoff, & Kardes, 2009; Shang, Sargeant, & Carpenter, 2019).

With respect to the charity sector, trust can be crucial. It is earned (or possibly even lost) through behaviour (Charity Commission, 2018). The idea that charities are trusted organisations is well recognised, albeit indications suggest that levels of trust have decreased as a result of a range of scandals (Gibelman & Gelman, 2001; Hind, 2017; Lalák & Harrison-Byrne, 2019). In referring to nonprofit organisations generally, rather than charities in particular, Kearns (2014) highlights the particular importance of trust in the sector by arguing that, without it: 'nearly every other resource that a nonprofit organisation uses to advance its mission will be jeopardised' (p. 265). To an extent, trust is reinforced by charities' non-distribution constraints, which prevent them from distributing profits (or, more correctly, surpluses) to stakeholders (Hansmann, 1980), and is critical to facilitate, maintain and grow a charity's mission. Charities are often highly dependent on donors and funders who provide resources with no benefit to themselves, frequently focusing on the desire to provide advantage to a specific group of beneficiaries (or the public generally) (Connolly & Hyndman, 2017). It is argued that increased trust is positively linked to donor giving and volunteer commitment (Charity Commission, 2018; Liu, 2019; Sargeant & Hudson, 2008; Yang, Brennan, & Wilkinson, 2014) and reductions in trust have major impacts on charitable giving, and hence charitable activity (Hind, 2017; LeClair, 2019).

Given that, in a charity context, there is a range of both external (e.g. donors/funders, regulators, the public, beneficiaries) and internal (e.g. boards of trustees, managers, employees, volunteers) stakeholder groups, relationships between the nexus of stakeholders, and relationships between the charity itself and each individual stakeholder group, are multidirectional and multifaceted (Hyndman & McDonnell, 2009). In such a situation, the building of trust is likely to be complex, linked to situational factors, personal characteristics and competence and is clearly not a unidimensional construct (Das & Teng, 2001; Hyndman & McConville, 2018; Lee, Johnson, & Prakash, 2012).

Trust has often been explored in charities through the lens of agency theory (and linked to wider issues of legitimacy and accountability), where the focus is commonly on the relationship between a principal (a donor) and an agent (the charity) (Farwell, Shier, & Handy, 2019)<sup>3</sup>. Here, the principal (the donor) transfers resources to the agent (the charity) to deliver benefit to a third party (a beneficiary). This relationship may generate a desire on the part of the principal to monitor and assess how the latter's actions are performed (possibly via formal reports or informal contacts/communications). Echoing ideas not unlike Deleuze and Guattari's (1987) concept of assemblage<sup>4</sup>, links between the concepts of trust, accountability and legitimacy are frequently explored in terms of the charity sector (Connolly & Dhanani, 2009). For example, better accountability to key stakeholders (related to the requirement to be answerable for one's conduct and responsibilities) is likely to support external legitimacy (related to aligning charity actions with external expectations), and this, in turn, can enhance trust (Hyndman & McConville, 2018).

However, in reverse (and illustrating the connectedness of concepts), Laughlin (1996) argues that different forms of accountability arise depending on the potential for trust and value conflict between principals and agents. He contends that, where there is a high level of trust between parties and it is anticipated that the agent will fulfil the expectations of the principal, formal mechanisms of accountability are much less central, and communal accountability (where expectations over conduct and information demand and supply are less structured and defined) will dominate. Conversely, if low levels of trust pertain, the principal is likely to place much greater reliance on formal mechanisms to exert control over the behaviour of the agent (contractual accountability). Likewise, in the case of value conflict, if there is relative alignment of values between principals and agents, communal accountability is more likely (and legitimacy

<sup>3</sup> Notwithstanding, the fact that other relationships with 'salient' stakeholders (such as beneficiaries and regulators) may also be critical in terms of the overall building of trust within the sector and have been the subject of analysis (Connolly & Hyndman, 2017; Cordery & Deguchi, 2018).

<sup>4</sup> The meaning of assemblage is a collection or gathering of things or people. While the concept is viewed by many as rather obscure, assemblages are composed of elements (or objects) that enter into relations with one another. Relatedly, Deleuze and Guattari (1987) also use the metaphor 'rhizome' as a term to describe the relations and connectivity of things; 'rhizome' referring to a relation like that of roots which are underground and spread. Associations between concepts such as trust, accountability and legitimacy share similar links.

will be more easily established – Suchman, 1995); in contrast, if this is not the case, the principal may employ more contractual forms of accountability, and establishing legitimacy may be more problematic.

## 2.2 | Forms of trust

While trust can be viewed as an indispensable social good which charities rely on for their existence and growth (Yang, Brennan, & Wilkinson, 2014), it is also recognised as having a variety of forms. For example, goodwill trust is based on good faith, good intentions and integrity; often arising from personal perceptions about another organisation or insights gained from experience of previous interactions (Barber, 1983; Svensson, 2001). Similar ideas are contained in notions of affective trust (Colombo, 2010), or, using Rousseau et al.'s (1998) nomenclature, relational trust. At the other end of a spectrum, there could be calculative (or contract-based) trust founded on rational choice and credible information relating to plans and previous achievements (Rousseau et al., 1998), or, as Colombo (2010) might refer to, cognitive trust.

Additionally, trust can be viewed through other lenses: for example, credibility-based trust emphasises the need to ensure that there is no waste and that donations are being used wisely (Fenton, Passey, & Hems, 1999), and competence-based trust refers to the expectation that the organisation is technically competent to deliver whatever performance is promised (Barber, 1983). The dominant form that trust takes in any setting is likely to be dependent upon such factors as organisational size, area of activity, geographical spread of operations, and, with specific reference to charities, proportions of employees compared to volunteers and motivations and mix of donors (O'Loughlin-Banks & Raciti, 2014).

## 2.3 | The development of trust in charities

The forms of building trust are by no means mutually exclusive, and most charities will utilise a range of approaches for generating trust in terms related to both financial giving and volunteering behaviour (Sargeant & Hudson, 2008; Taniguchi & Marshall, 2014; Yang et al., 2014). It has been argued that trust and resultant commitment are essential to ensure external stakeholders engage with charities, for example, through funding, volunteering and facilitating their operation in the public space (Guh, Lin, Fan, & Yang, 2013). Moreover, it is claimed that trust is the foundation of most relationships with charities, largely because, for many charities, their 'product' is intangible and objective criteria are not available to assess performance (Lalák & Harrison-Byrne, 2019; Sargeant & Lee, 2004). But how might trust be built?

Lee et al. (2012) suggest that three broad factors underpin the generation of trust in nonprofit organisations. First, general participation in civic associations; for instance, face-to-face participation encourages the establishment of the skills of cooperation and norms of reciprocity. Second, culture, based on such factors as religious beliefs and values, or ethnic homogeneity, can underpin the development of trust. Third, 'high quality' (or 'good') political, social and economic institutions facilitate trust building; where institutions in society, possibly detecting and sanctioning betrayals of trust, reduce the risks associated with trusting. This final factor would provide support for the need for, at the very least, some degree of regulation of the charity sector (Hogg, 2018). In addition, and more specifically in terms of charity philosophy, operations and reporting: it is claimed that the most important influence in determining whether a charity is trusted is the extent to which it is perceived to be ethical and honest (Lalák & Harrison-Byrne, 2019). This has been found to even 'trump' another important issue – whether a charity is well run (related to competence and performance).

For charities, trust is indispensable for their existence and growth, and increased trust reveals itself in strengthened external stakeholder engagement, which, in turn, can generate increased donations of time and money to the charity (Liu, 2019; Sargeant & Lee, 2004). Trust ensures the sustainable development of charities and can be a particularly

essential commodity at a time of existential crisis where high levels of trust can reinforce faith and belief, allowing charities to survive adversity (Hyndman, 2020; Yang et al., 2014). While vital to the sustainability of the sector, trust is also recognised as being volatile and highly susceptible to disruption by scandals and negative media coverage (Hind, 2017; Lalák & Harrison-Byrne, 2019; LeClair, 2019). It is one of the most influential criteria donors and funders use when deciding which charities to support (Scurlock, Dolsak, & Prakash, 2020) and good reputation, particularly when it is well established, is valuable (Szper & Prakash, 2011). Therefore, the importance of acting appropriately, having good governance processes, being accountable and transparent, avoiding scandals, dealing with (even possibly unfair) media attention and, if problems do arise, managing them quickly and effectively (both from operational and communication perspectives) is crucial in safeguarding reputation and maintaining (or re-establishing damaged) trust.

Trust is a precious commodity. It is a multifaceted notion that has obvious associations with other concepts, such as accountability and legitimacy; it reflects alignment with relevant legal, social and cultural norms and expectations. Trust arises in different forms (e.g. relational and calculable), with the significance of a particular form, and the ability of an organisation to generate it, possibly related to key features of a charity (e.g. size and area of operation), or stakeholder group (e.g. donor, funder, beneficiary, regulator). It can be viewed as the foundation for many relationships with charities and evolves in different ways in different settings.

A wide range of empirical studies in the charity sector, utilising both quantitative and qualitative approaches, relating in some way to trust are available. Overall, these particularly highlight the intricacy of the concept of trust building. For example, Farwell et al. (2019) examined the extent to which 'accountability' and 'transparency' are associated with trust in Canadian charities. Moreover, they explored whether knowledge of the sector through experience was associated with trust. The researchers used data from a large survey questionnaire, analysed utilising multiple regression. Among their key findings was that higher demands for accountability are associated with lower levels of trust in charities, suggesting that 'lack of trust', emanating from whatever source, is likely to generate much greater external pressure for improvements in (and expansions of) accountability processes. The researchers also found that higher perceptions of existing transparency are associated with higher levels of trust in charities, thus encouraging charities to be 'transparent' (or at least to be perceived as such by key stakeholders) and highlighting the benefits of such realities/perceptions. Another finding was that higher levels of general familiarity with charities are associated with higher levels of trust. This might encourage charities (and the sector as a whole) to tell their 'charity stories' more effectively, as well as developing opportunities for external stakeholders (including the public) to engage in 'hands-on' experiences of what a charity does and what the need is. Finally, the research indicated that, perhaps not unexpectedly, donating to charities is associated with higher levels of trust in charities.

A quantitative empirical charity study with a distinctly different emphasis utilised the lens of stewardship theory and focused on a Dutch initiative to develop, and encourage charities to adopt, a 'good governance' code as a basis for enhancing trust (Perego & Verbeeten, 2015). The research was undertaken in response to voiced charity-stakeholder concerns regarding questionable compensation schemes that were viewed as undermining trust. Hand-gathered longitudinal data from publicly available annual reports were collected and used both to generate relevant descriptive statistics and conduct regression analysis. The researchers found that the adoption rates of the (voluntary) good governance code increased over time, and the promulgation of the code led to the modification of the governance structures in a large number of charities. Moreover, it was shown that the adoption of the code resulted in an improvement in the financial accountability of charities, particularly with respect to enhanced disclosures; this was argued as underpinning the building of trust. In particular, it was found that the separation of decision-making and monitoring tasks (a key aspect of the code) was associated with an increase in the disclosure of managerial pay, and charities that adopted the code reported lower pay levels. The authors argued that the major finding linking separation of decision-making from monitoring with greater disclosure of managerial pay (and lower levels of pay) is critical for policy-makers, regulators and managers, as it indicates the importance of independent boards for improving charity disclosures and accountability (and the reinforcing of trust).

Other recent empirical research, using qualitative approaches, has also spoken into the area of trust building and trustworthiness. For example, Hyndman and McConville (2018) argued that accountability, in its various forms

and with its assorted theoretical underpinnings, plays a crucial role in developing and maintaining trust in charities by facilitating the demonstration that stakeholder expectations are being met (or, will be met). Using data from semi-structured interviews with key UK charity employees responsible for the discharge of accountability, they particularly distinguished between 'publicly available' (often formal) communications, such as financial statements and annual reports, and 'private' (often more informal) mechanisms, such as participation and observation, for discharging accountability. Their data showed that these accountability mechanisms, although frequently viewed as separate, are, in reality, extremely interconnected. A key finding of the research was that while formal public communications are essential in providing a *de minimis* basis for the development of trust, they are insufficient to build significant trust and commitment. It was opined that as relationships develop between charities and stakeholders, more-significant, direct engagement through private mechanisms is frequently required, highly tailored to stakeholder needs and expectations. Moreover, the researchers highlighted the clear linkages between accountability and trustworthiness, with it being claimed that accountability and trust have the potential to underpin each other to create a 'virtuous circle'.

Further qualitative research (Hogg, 2018), explored the role and funding of charity regulation and its link to charity activity and trust. This work referenced public interest theory, where it was suggested that an effective regulator could encourage charities to be more transparent. This, it was argued, had the potential to lead to resources being distributed to those organisations which would use them in the most efficient and effective way to deliver much-needed beneficiary services. Using focus groups to create a proxy for 'general public opinion', and set in a UK context at a time where significant budget cuts were being imposed on a range of government and quasi-government units, Hogg (2018) examined knowledge and attitudes to regulation. With respect to a suggestion of levying charges on charities to support regulatory oversight (something articulated as being possible/necessary by UK Government officials around the time of the research), views were mixed as to its advisability. Many felt that it was the role of government to fund regulation, presumably on the basis that charities provide general public benefits and increase valuable social capital; having charities pay for regulation was seen by most as reducing spending on important direct charity activity. Others, by contrast, highlighted possible benefits of a 'modest' charge. These included: first, that charges might augment, rather than replace, existing government funding for regulation (something, evidently, not on the UK Government's agenda at the time of the research); and, second, it might be construed by the public symbolically as charities buying into both the cost and spirit of good regulation, with this being viewed as helpful. More specifically, the research highlighted that, although the public had very limited knowledge of the detail and funding of charity regulation, there was a widespread view that effective regulation of the sector was good and necessary, and an important facilitator in the building of trust.

### 3 | AN OUTLINE RESEARCH AGENDA

This paper has explored the concept of trust in relation to charities and examined its importance in terms of the health and sustainability of the sector. Moreover, by providing examples of research in charity settings (and elsewhere), the paper has examined approaches that may be used by charities to ensure that the establishment and maintenance of trust is central to governance processes within the sector. This is despite the fact that 'governance' itself, not unlike trust, is a somewhat loose and all-encompassing term (see, e.g., Hyndman & McDonnell, 2009). In doing this, examples of the multiplicity of research objectives, research approaches and theoretical lenses used in this area, together with the breadth of research findings, have been highlighted.

Charities interact with many stakeholders (including donors, beneficiaries, the general public and regulators); stakeholders whose expectations and demands can significantly affect charities' functioning. The need to build and maintain trust relationships with each of these stakeholder groups is of critical importance. However, questions arise regarding how this might be done, the importance (or salience: see Mitchell, Agle, & Wood, 1997) of each stakeholder group, and the combinations of trust-building approaches that will be critical in relation to specific stakeholder groups (e.g. goodwill/relational-based and calculative/cognitive-based trust). This provides challenges for the sector

as a whole. A research agenda for those interested in trust and trust building in charities is now outlined. It seeks to provide encouragement to researchers to explore the important area of trust and trustworthiness in charities as a basis for improving understanding, evaluation and practice. The agenda is expressed in the form of four main questions.

### **3.1 | Can better accountability to, and trust building with, beneficiaries, strengthen trust relationships with other key stakeholders?**

Charities seek to serve beneficiary interests even though (normally) beneficiaries do not fund the service provided. Yet, even though there is frequently no contractual link between a charity and beneficiaries for the provision of service, the mission of charities is beneficiary focused. Donors, who do not receive any direct economic gain for their donations, and who are frequently unaware of the detail of service provision, are often the primary funders. They give with the expectation that benefit of an appropriate quality and quantity will be provided to beneficiaries (or to the public at large). Moreover, regulators are concerned with the impact that charities have in relation to their mission (i.e. the manner and extent to which beneficiary needs are met), and this is viewed as a central means through which trust is established more widely (Charity Commission, 2018). So being accountable to, and building trust with, beneficiaries, has the potential to also underpin trust building with donors, regulators and society at large. Therefore, how charities are accountable to, and build trust with, beneficiaries, and how this is influenced (and used) in relationships with other key stakeholder groups is critical.

Given this, charity engagement directly with beneficiaries (which may take a variety of forms) can yield significant trust-related benefits (Locke, Begum, & Robson, 2003). As well as providing charity managers with useful feedback on the effectiveness of service provision (which can support a charity in its planning processes) and sharpening mission focus (especially likely when beneficiaries are actually involved in decision-making functions within the charity), it can also provide the basis for trust building in relation to donors, regulators and other stakeholders. This can be achieved via a range of communication and accountability channels (formal reports, informal conversations, opportunities for stakeholders to observe or participate, etc.). How such channels are utilised, how discussions regarding beneficiary involvement are viewed and how this impacts on trust, legitimacy and accountability is largely unknown. Notwithstanding the likely positive aspects of beneficiary engagement with respect to charities, possible dangers of adverse consequences (such as short-termism), and debates regarding whether beneficiaries should be viewed as 'customers' or 'citizens', remain important and can also affect the building of trust. It is worth noting that, in many countries, the public sector remains an active and significant donor/funder of charities, often on the basis of contracts for services. For example, in Australia, some 45% of charity income is estimated to come from government grants, whereas in the UK income from similar sources accounts for approximately 30% of total income (Australian Charities and Not-for-profits Commission, 2017; National Council for Voluntary Organisations, 2020). Such funding is often associated with requirements for beneficiary involvement in governance and management processes as a necessary condition for funding, something that is also frequently demanded by other large funders and donors. This is presumably related to a desire to ensure funds are used in a beneficiary-focused manner. Whether this has a positive influence in charity provision, or whether it increases the risk of mission drift, which could undermine trust, is a moot point (Dacombe, 2011). Through additional empirical study, these issues can be analysed to help not only in relation to the operation of individual charities but also in terms that can influence both regulation and best practice frameworks.

### **3.2 | Should the approach to trust building vary with charity size and area of activity?**

As was indicated earlier, the UK charity sector comprises a small number of very large charities and a large number of very small charities, all operating in very distinctive areas of activity (e.g. education, health and overseas development).



In England and Wales, just over 1% of registered charities have incomes in excess of £5 million, with this accounting for 77% of total income of the sector; while over 70% of charities have incomes less than £100 thousand, with this accounting for about 2% of the total income of the sector (Charity Commission, 2018; House of Commons, 2015). This pattern of income distribution is not dissimilar to that experienced in other jurisdictional settings with, numerically, small charities dominating the canvas, while large charities generate (and spend) the vast majority of the sector's income (Farwell et al., 2019; Mack, Morgan, Breen, & Cordery, 2017; The Wheel, 2014; Wiepking & Handy, 2015).

Small charities often tend to operate in local areas, often relying on community fundraising and supporting local causes; they tend to be closer to their donor and beneficiary bases. Moreover, they are inclined to be less professionalised in terms of having full-time employed staff and often rely relatively much more on volunteer input. With larger charities, particularly international overseas aid charities, the 'distance' between donation and service delivery is much greater and therefore less visible to donors and funders. In addition, as charities grow they are more likely to have to professionalise in terms of paid employees because of the myriad of required protocols and processes with which they have to comply. Opportunities to have volunteers dipping into the service delivery functions may be more challenging, possibly because of the skill set needed and the requirement to be at a distance from a home location for a prolonged period.

Generally, research has indicated that small local charities are more trusted by the public than larger charities (Hart & Robson, 2019; O'Loughlin-Banks & Raciti, 2014). Moreover, the area of activity of a charity has been shown to influence the level of public trust. Overseas aid charities (where the service delivery is often far off) are often less trusted (or possibly more correctly, facing greater challenges in establishing their trustworthiness) than health-related charities (where donors may have had personal experience and benefited from a charity's activity) (Charity Commission, 2016). 'Overall trust' is possibly influenced by a combination of goodwill/relational- (related to personal perception or past experience), calculative/cognitive- (connected to clear donation/output considerations) and credibility/competence- (founded on considerations of ability to deliver) based trust. Given this, appropriate strategies (and combinations of strategies) for building trust relating to size or principle area of activity would seem a useful focus for research. In addition, the fine-tuning of strategies relating to specific stakeholder groups, for example to donors (possibly distinguishing between type of donor), volunteers and beneficiaries, could support more targeted and effective stakeholder engagement (and communication) with the objective of enhancing trust.

### 3.3 | How can charities measure and communicate service delivery in an effective way in order to reinforce trust?

On the basis of significant feedback from members of the public, the Charity Commission (2018) argued, when exploring how trust might be increased in the charity sector, that the first thing that the public expects from charities is that they show 'what they have achieved (their impact) in relation to their mission' (p. 2). Impact (concerned with the long-term effect of a charity's activities on both individual beneficiaries and at a societal level), rather than merely inputs (the resources that charities use) or outputs (the actual services delivered) is a leitmotif throughout the analysis of the Charity Commission findings. It is also seen as a significant base for building, or rebuilding, trust. Similar themes are evident in a New Philanthropy Capital report (Clay, Collinge, Piazza, Corry, & Davis, 2020) reflecting on the state of the sector as the impact of the COVID-19 pandemic began to hit. This encouraged charities to be creative and build impact measurement and reporting into the fabric of their organisations. It was argued that, if this were done well, trust would grow and the propensity to donate would likely increase.

The importance of such signalling to donors and other stakeholders is well accepted as a basis for improving accountability, underpinning legitimacy and, ultimately, building trust (Benjamin, 2012; Dhanani & Connolly, 2012). However, the challenges of developing good impact measurement frameworks are not underestimated. These include aligning measurements to the core objectives of the charity, distinguishing between charity impacts and impacts from other organisations, the subjective nature of impact measurement (often related to the extremely broad missions of

many charities), the effect of uncontrollable external variables and deciding appropriate timelines over which measurement and reporting should take place (McConville, 2017).

Notwithstanding the above, impact is (or perhaps should be) key in terms of both improving management within, and accountability by, charities. This can support, among other things, improving levels of competence-based trust; related to better managerial decision making, as managers strive to identify what impact looks like, and how it can be achieved. Such considerations can also be at the centre of management discussions about committing resources to particular projects and programmes. Moreover, good impact measurement can support the building of relational-based trust with external stakeholders. In particular, the use of impact stories, showcasing how the lives of individuals and communities have been (or can be) affected by targeted interventions on the part of charities, can potentially generate strong emotional appeals that support trust building.

Research into the development and use of performance-management frameworks, with a particular focus on providing credible indicators of impact, would bolster trust building by the sector. For example, what might 'good' impact measurement and reporting look like in the various sub-sectors of charitable activity? How might charities be encouraged (or supported) to develop such systems? What difference can this information have in terms of the effectiveness of a charity, how is this communicated to external stakeholders (if at all), and how does this message affect trust? In what ways (and via what platforms/media) can (or should) impact be communicated to donors, funders and volunteers? Does the manner and channel of communication affect donating and volunteering? What are the difficulties and barriers to doing this? All of these research questions (ideally, supported by appropriate theoretical lenses to frame approach and analysis) could assist in a better understanding of the potential for measuring and reporting performance as a foundation for trust generation.

### 3.4 | Can appropriate regulation help in trust building?

In most jurisdictions, charities are regulated, although the power of regulators, and the requirements that a charity must meet, vary considerably. Commonly, charities must produce annual reports and other information, as well as being subject to further detailed investigation if initial, summary investigations or monitoring highlight potential problems. These requirements and processes have the potential to underpin trust and lead to increased trustworthiness. Echoing ideas related to governance issues connected to the role of boards in charities, the function of the regulator might be viewed as being on a spectrum from controlling (where strict oversight and substantial information and action demands are made of a charity) to partnering (where control is more flexible and information and action demands are less excessive) (Cornforth, 2003).

One major argument for tight regulation is related to information asymmetry problems associated with the sector and especially with respect to the relationship between donors and the charity. It is opined that more (or better) regulation of the sector can increase public confidence (resulting in more giving by the public), improve management within charities (as key employees react in a positive and helpful manner to the oversight functions of the regulator), and reduce the likelihood of scandals (as appropriate controls are introduced and risk-management techniques are embraced) (Breen, 2009; Cordery, Sim, & Zijl, 2017; Fremont-Smith & Kosaras, 2003). Conversely, excessive and inappropriate regulation can undermine charity activity. This is possible when the intrinsic motivation of volunteers and staff may be 'crowded out' (Frey, 1997) by unwarranted administration and oversight, resulting in less volunteering and fewer skilled and committed individuals wishing to work in the sector (Desai & Yetman, 2005; Morgan, 1999).

In a UK setting, Hogg (2018) provides evidence that the general public are very supportive of having a charity regulator, even when they are unaware of the way such regulation works and its impact on charity activity. Regulation is widely seen as necessary and a foundation for the building and maintenance of trust. In reviewing the role of the Charity Commission in the UK, Hind (2011), a former chief executive of the commission, argued that while regulation is a necessary condition for a vibrant and growing charity sector, appropriate regulation requires a desire to be on the 'side of the angels' (i.e. regulation needs to be flexible, supportive and proportional).

Research into the appropriate balance between 'controlling' and 'partnering' forms of regulation in relation to trust building would seem useful. This could involve considerations of the 'right' regulatory framework in terms of supporting charity activity, in relation to giving, volunteering and ethical behaviour, and encouraging effective and efficient service delivery. Factors such as whether regulation intensity should vary with charity size, area of activity and jurisdictional maturity of the sector should be explored. An overall aim of encouraging jurisdictions to construct apposite architectures of regulation appropriate to context would seem a laudable aim, as would an understanding of why particular architectures of regulation have emerged in specific settings.

## 4 | CONCLUDING COMMENTS

Trust is a multifaceted and complex concept that affects relationships between a charity and a range of stakeholders. It arises from a variety of sources, and notions relating to it have significant influence on what might be viewed as the appropriate regulation, monitoring, operation, funding and reporting of organisations within the sector. It can have a major impact on the motivation of individuals, larger donors and funders and volunteers to contribute to charitable activity, thus influencing the sustainability of the sector. The manner and extent of regulation will be affected by perceptions of how trusted charities are, with significant regulator intervention and heavy regulatory demands more likely when trust is low.

However, the concept of what is meant by trust in particular situations, the relative importance of different types of trust building (relational, contractual, competence-based, etc.), and how trustworthiness is specifically generated is unclear. Many distinctive ideas are presented as being capable of creating valuable trust in charities. For example, and specifically with respect to the trust of the public, the foundations of trust have been asserted to relate to: a charity's achievements (actual and planned) in relation to impact; how a charity exhibits good management of resources; and perceptions relating to how well they have behaved (Charity Commission, 2018), that they have 'done good' and 'been good' (Hyndman, 2018).

The paper contains an outline (and necessarily incomplete) research agenda. This is presented in the form of four broad questions relating to whether accountability and trust building with beneficiaries can strengthen trust relationships with other key stakeholders, the manner and extent to which trust building might vary with charity size and area of activity, ways in which charities might measure and communicate service delivery in an effective way in order to reinforce trust, and a considerations of what 'good regulation' might look like.

It is anticipated that this research agenda can be pursued using a mixture of qualitative and quantitative research techniques. Some of this research would involve engagement with key stakeholders (e.g. donors and funders, regulators, beneficiaries and the public at large) in terms of interviews or focus groups, or with specific organisations as settings for case studies. Other aspects of it may involve quantitative analysis looking at forms of communication and usage (and robustness) of measures of performance (outputs, impact and efficiency) or may relate to large-scale surveys of stakeholders concerning perceptions of what is important in building trust and likely behavioural (possibly donating) consequences.

If trust in charities is low, this will undermine confidence in the sector and reduce charitable giving, volunteering and charitable activity. More understanding of the importance of both general trust and more specific forms of trust (relational, contractual, etc.) may improve the situation. The widespread adoption of trust-building strategies, employed in a nuanced manner that is linked to specific charity features and particular stakeholder-group needs, has the potential to increase confidence in charities. This would seem an indispensable foundation for charities that seek to grow their activity and their influence. In addition, it would also seem appropriate that those with most responsibility regarding the administration and control of the sector, and those charged with encouraging better management within the sector, should be at the vanguard of encouraging moves in this direction.

Trust in charities is not a commodity that can be acquired easily. It is a condition that reflects belief in something or someone that moves a person (or an organisation) to think and act positively towards another. It is built through an

amalgam of value commonality, personal relationships and individual experiences. Established (and maintained) trust can sharpen mission delivery, as well as encouraging increasing flows of funds to maintain and expand the valuable work that charities do. It is hoped that this paper will inspire even more researchers to embrace the challenge of considering 'trust in charities' as a vital, and fascinating, focus for their research going forward. Such has the potential to support a sector that contributes so much to social cohesiveness and the building of precious social capital. Trust is a multidimensional concept, with so many aspects to explore. Many stones can form an arch, singly none.

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