

# Original Purpose – Completing the Triad of Accountability\*

KIMBERLAY PEARCE

*Vice President, Greater Victoria Performing Arts Festival Association*

---

## Introduction

Accountability for an organization involves not only stewardship and governance but also trusteeship (defined as loyalty to original purpose). So argues David Smith in his 1995 book, *Entrusted: The Moral Responsibilities of Trusteeship*. Smith wrote the book in order to find some answers to his own question about why it was that the boards of organizations that seemed to follow all the rules and do all the right things with regard to stewardship and governance could still make decisions that were not in the best interests of the organization or the clients or beneficiaries it served. He concluded that if organizations are created to meet some purpose, then trusteeship comprises three elements: (1) the board providing service to (2) beneficiaries on behalf of (3) the founding purpose or original mandate. This contrasted with the more broadly understood description of trusteeship, which seemed to involve just two elements: (1) the board seeking direction from (2) the owners. Based on Smith's work, it seemed possible that trusteeship was a third factor to consider with regard to accountability, and a study was undertaken in pursuit of the hypothesis.

This article has its roots in that study, undertaken in 1999 for a directed studies course in the MPA program at the University of Victoria. The study offered some support for Smith's argument and was extended the following year to become the management report for completing the requirements of the MPA degree. This article results from work that has continued and evolved since 2001.<sup>1</sup>

## Context

Accountability entered the vocabularies, in varying degree, of both public and private sector organizations beginning in the 1950s. Interest in accountability intensified during the 1990s with organizations in all sectors of the economy under the scrutiny not only of their stakeholders but also of the public at large. During these decades and up to the present, accountability of organizations has been defined in terms of two considerations: governance (i.e., "the processes and structure used to direct and manage an organization's operations and activities. It defines the division of power," Deloitte and Touche, p. 3) and stewardship (i.e., "the active oversight of organizational governance by the board of directors," Panel on Accountability and Governance in the Voluntary

---

\* This article has been edited and revised from a presentation to the November 2002 ARNOVA conference.

Sector, p. 23). Despite a plethora of information, ideas, recommended processes and procedures, achieving accountability continues to be problematic, as noted by Cutt and Murray in 2001: “Research on the extent to which improved accountability can be achieved is not encouraging” (p. 24). This article argues that accountability comprises a triad; that in addition to governance and stewardship, there is trusteeship – loyalty to the purpose for which the organization was originally created.

## **Accountability**

Definitions of accountability are pretty straightforward: “doing what you said you’d do,” “responsible; required to account for one’s conduct” (*Canadian Oxford Dictionary*, 1999), “requirement to explain and accept responsibility for carrying out an assigned mandate in light of agreed upon expectations” (Panel on Accountability and Governance in the Voluntary Sector, p. 11). The concept of accountability is similar to that of reporting in that both involve providing information or other evidence to confirm that one has completed some task or fulfilled some responsibility. However, reporting occurs within the context of a hierarchy of authority, while accountability occurs within a relationship of trust.

The definitions noted above include unwritten elements: expectations, purposeful action, performance, and some body (or bodies) external to oneself to whom one gives an accounting. These elements remain relevant when accountability is extended to organizations. In addition, accountability for organizations in a capitalist economy requires demonstrable efficiency and effectiveness.

The element of particular interest for this article, however, is that accountability begins with ends – with intended results – and, therefore, shares common ground with such disparate fields as knowledge creation, organizational structure, and board development.<sup>2</sup> In all of these fields of interest, intended results initiate action and, logically, imply purpose. If purpose emerges from a description of or expectations regarding intended results, then it is reasonable to conclude that there is a direct link between intended results and organizational purpose. If this is so, then the link between intended results and organizational purpose must be maintained if accountability is to be fully achieved.

This may be argued as follows:

1. Accountability is about achieving intended results.
2. Organizations are created to make some difference in the world external to themselves – to achieve some intended result.
3. The description of original purpose or mandate of the organization – its *raison d’être* – is, therefore, directly and logically linked to its intended results.
4. Organizations must be going concerns to achieve their intended results.
5. Achievement of intended results must be effective and efficient.

6. Organizational structures, policies, and resources are defined by the organization's purpose or mandate and are developed to achieve intended results efficiently.
7. Organizational adaptation to changing social circumstances determines effectiveness.
8. The necessity of existing in the long-term presents an organization's senior executive with the central challenge of directing the organization's activities in the midst of continual change in opportunities and social values.
9. Effectiveness must be achieved efficiently.
10. If the organization's original structures, policies, and resources are logically linked to original purpose or mandate, then adaptations to remain relevant must also be consistent with the original purpose or mandate.
11. Original purpose is, therefore, the touchstone for decision-making in an organization. Strategically defined,
  - (a) there will be the capacity to respond to change while, at the same time,
  - (b) ensuring that the link between the intended results that the organization was originally created to achieve and the original purpose that was defined with direct reference to those intended results is not broken.

In summary, organizations must maintain a fine balance between effectiveness and efficiency. Organizations exist over time and to remain effective (that is, relevant) they must adapt to changes in the community of which they are a part. Organizations must be efficient, which means that adaptations must be compatible and consistent with existing organizational structure. Where this principle is applied, there will be a link maintained over time with the original purpose of the organization. Thus, original purpose is a touchstone for the organization.

### **Trusteeship**

Trusteeship (root Trust): a thing or person committed to one's care; a charge (Canadian Oxford Dictionary, 1998). In the context of organizational accountability, trusteeship refers to the source of board authority.

As with accountability, the definition of trusteeship implies several elements. There must be an entruster, a trustee, and a thing or person entrusted. There is the implication that a charge is committed to the trustee because the entruster is unable – or foresees being unable – to continue with it. Committing the charge implies that the entruster believes that the intent of the charge will be honoured.

The dictionary definition of trusteeship is also a source of some confusion because the charge has two parts to it – the charge itself and the beneficiary – and these are not clearly separated out.

The following examples illustrate this point:

<b>Individual</b>			<b>Organization</b>		
Entruster	=	Parent	Entruster	=	Founder(s) (may be another organization)
Charge	=	Care of child	Charge	=	Meet social need
Trustee	=	Godparent	Trustee	=	Board of nonprofit
Beneficiary	=	Child	Beneficiary	=	Client of nonprofit

The prevailing view of trusteeship in the literature identifies the source of board authority to be an organization’s owners. For example, Carver (1997) and Bryson (1995) both reflect this understanding and state that the owners are a group that must be discovered by each nonprofit organization from amongst its stakeholders. The authors of *The Policy Governance Fieldbook* (1999) define the owners to be the someone on whose behalf the board exercises its trusteeship. This definition does not clarify who this someone is – charge or beneficiary. None of these perspectives seem to take into account that an organization comes from somewhere and it is not clear what, if any, role owners play with regard to the origins of the organization. In contrast, Smith (1995) begins with origins. He identifies an entruster and he separates charge from beneficiary. He describes a triad – original purpose or mandate (entrusted to) a trustee (on behalf of) a beneficiary – and concludes that the source of board authority is, therefore, original purpose. Trusteeship is present whenever a cause or mission defines a group’s identity so that:

- (1) we can speak of a duty to beneficiaries (that is)
- (2) created and constrained by the organization’s sense of purpose or the cause it exists to serve.

Defining the source of board authority in terms of ownership and without reference to origins has interesting implications for trusteeship and accountability. For example, it offers some explanation for the apparent lack of attention in the literature to original purpose or mandate. It also sheds light on the difficulty that organizations have in determining the relative influence of various stakeholders in decision-making.

The apparent lack of attention in the literature to original purpose or mandate has been identified or implied by various authors in the field of organizational development. Bryson (1995) observed that “it is surprising how few organizations know precisely what they are (and are not) formally mandated to do” (p. 26). The authors of the *The Policy Governance Fieldbook* provide indirect support for the importance of keeping original purpose known and visible when they observe that professional regulatory organizations have difficulties with the professionals who make up the membership of these organizations because the latter are typically not clear about the mandate of the organization and tend to view it as being there to serve their interests and act as their advocate.

On the other hand, various authors identify or imply the significance for an organization of clearly articulating its purpose. The authors of the *Final Report* (1999) by the Panel of Accountability and Governance in the Voluntary Sector list the various pressures and expectations that have been placed on the nonprofit sector over the last decade and, in so doing, highlight the need for a reference point for discussion and decision-making. Academics such as Drucker argue that it is absolutely essential for an organization's performance "that its task and mission be crystal clear" (Drucker, 1994, p. 55) so that everyone involved can work toward the same goal.

Defining the source of board authority in terms of ownership in the absence of reference to the organization's origins creates some major challenges for the board. The owners, as Carver and Bryson state, have to be discovered by each organization for itself from amongst its stakeholders. Once identified, their relative influence has to be determined. Any and all stakeholders can assume that they have the rights of ownership and, therefore, the right to influence decision-making. Owners can make demands of the organization that are not necessarily in its best interest. Smith identified this as a potential difficulty, as well, with regard to the entruster or founder(s) (which can be another organization) of an organization and argued that trusteeship disappears when the entruster assumes the rights of ownership. The entruster/founder, by creating a trustee – in whatever way that is defined – has acknowledged that it is the purpose of the organization that is important. Finally, when the source of board authority is defined in terms of ownership, boards can think of themselves, in Smith's words, "simply as instructed delegates of voters, management or appointing bodies" (p. 23).

In summary, the source of board direction and, therefore, on whose behalf the board is a trustee, is reflected in the literature by two distinct views. Conventional wisdom identifies the owners – a group that must be discovered by each nonprofit organization for itself from amongst its stakeholders. Under this view, boards also have the challenge of determining the relative influence and importance of each of its stakeholders. The other view argues that it is the original or founding purpose, or mandate, that guides a board and provides it with authority. The notion of ownership is removed and accountability becomes a task of providing appropriate information to an organization's various stakeholders that assures them that responsibilities have been carried out as expected (see Appendices 1 and 2).

In summary:

- If Trusteeship = loyalty to original purpose
- If Trusteeship = source of board authority
- Then Loyalty to original purpose = Source of board authority

## Findings from Exploratory Research

A study was undertaken (in partial completion of an MPA degree from the University of Victoria, 1999) to explore trusteeship as described by Smith (1995). Four nonprofit agencies in Victoria, B.C.<sup>3</sup> were surveyed using a questionnaire based upon Smith's proposed principles of trusteeship: fiduciary (loyalty to original purpose), common good (keeping the original purpose current; acting with integrity), and the board as a community of interpretation. The board president, two key board members, and the executive director of each agency were surveyed. Questionnaires included core questions asked of all respondents and questions specific to their respective positions.

The results revealed one agency to be unique in three characteristics: (1) the degree of consensus among respondents from different parts of its governance structure was virtually 100%, (2) the president was more discriminating with regard to which stakeholders were consulted for their advice (as opposed to simply giving them information), and (3) this agency's president was the only one of the four presidents surveyed to identify that the first responsibility of the board is to be custodian of the organization's identity (although there were a few other respondents – in addition to those from this agency – who did a similar ranking).

All four agencies surveyed reflected, in some degree, a clear and current mission statement (stewardship), an understanding that the board's role is policy development rather than operations (stewardship and governance), a collegial relationship with the executive director (stewardship and Smith's principle of the common good), and agreement that the board is a "community of interpretation." However, what seemed *not* to be broadly evident in the findings was the capacity to place boundaries around the organization's stakeholders and clarify their relative influence in decision-making – providing information or providing advice. Consideration of points (2) and (3) above suggested that the capacity to place boundaries around the organization's stakeholders that, in effect, determine their relative influence, might be related to whether a board identifies being "custodian of the organization's identity" as its first responsibility.

In the following year a follow-up study was undertaken. A more extensive literature review was completed on the issues of trusteeship, mandate, and ownership. A second survey was conducted of the president and the executive director of the agency that had been unique. Finally, the data from the first study were reviewed with the intent of either furthering the original analyses or identifying new findings.

The most relevant findings for this article are the responses of the president to the following questions:

- Does your agency have an owner? Response: "No. (Perhaps the public would be the ultimate owner.)"

- Do your owners have rights? Response: “Equitable, cost effective service?” The president noted that these first two questions were “very hard to answer.”
- Does the agency have a founder and, if it does, does the founder have rights? Response: The agency “partially” has a founder, but it is the original principles and mandate that act to give direction. Further, it was the “original mandate and principles” that were respected (this in response to rights of the founder).
- What is the source of the board’s “final authority, guidance, direction”? Response: “The original mandate and principles provide guidance. Direction comes from strategically positioning the organization in today’s world.”
- What rule or principle determines the distinction you made (in the first study) regarding the involvement of stakeholders in decision-making? Response: Advice is taken from people who are knowledgeable of the operations of the agency, i.e., from management (the executive director) and users (beneficiaries). The president was, in effect, staying within Smith’s triad of trusteeship when setting boundaries around stakeholders.

In response to the same questions, the executive director of the same organization said that the agency does have owners – at the legal level, they are the members; at the moral level, they are the entire community of stakeholders. With regard to founders, the executive director referred to the actual people, whereas the president referred to the original purpose.

The most interesting finding was that the questions about owners resulted in the first real difference of opinion between this president and executive director.

A third short and very specific survey was conducted over the summer of 2002 involving a further three agencies in Victoria, BC: YM-YWCA of Greater Victoria, United Way of Greater Victoria, and War Amputations of Canada (Victoria Branch). These are all agencies that have existed in Victoria since at least the 1950s. Copies of their respective constitutions held at the Registrar of Companies in Victoria were reviewed to identify changes in described purpose over time. The review of documents raised a variety of questions, and respective presidents were asked to respond – if they could.

These three agencies presented a wide range of experience in adapting to changing social circumstances, and their constitutions demonstrated concomitant changes to their original purpose statements.

### *Purpose Statements*

#### 1. YM-YWCA of Greater Victoria

The YMCA (Victoria) and YWCA (Victoria) amalgamated in 1961 to become the YM-YWCA of Greater Victoria. The purpose statements of both original organizations, with slight differences in expression, referred to members

“building” or “realizing” in community life ideals from their Christian faith. The purpose statement in 1961 for the new organization referred to “people” rather than men, women, boys and girls, and to “volunteers and employees working together to enhance the quality of life in the community” (gender neutral, more inclusive, Christian values expressed in humanitarian terms). There was also a commitment “to fulfill and adopt the purposes of YMCA Canada and YWCA Canada.” In 2001, the purpose statement states that the YM-YWCA “is a charitable community-based association of volunteers and staff working together to enhance the quality of life in the local and global communities based on the principles of human dignity, justice and peace.” There is no reference to the two original organizations, suggesting that the two have become fully integrated and comfortable existing as a single entity. This organization’s current purpose statement is clearly linked to the intent of the original.

## 2. United Way of Greater Victoria

The United Way of Greater Victoria began in 1938 as the Community Chest. The Committee on Welfare Maintenance of the Council of Social Agencies in Victoria organized the Community Chest in 1937 with the stated purpose: “To develop team work between the social agencies in Greater Victoria in the interest of the financial support of such agencies, and to aid in the effective planning and execution of the social service programme of this community.” Fifteen organizations joined at the time of incorporation and were required to describe their purpose and work and to provide financial information. Some of these original members continue to the present day, as do the original criteria for membership.

In 1975 the Community Chest of Greater Victoria became the United Way of Greater Victoria. The purpose statement of the new organization comprised nine points and was reflective of the strong interest in the United Way movement for the involvement of local citizens and volunteers in identifying the social concerns and solutions to problems in their respective communities – “act together on an agenda of common concerns” (*History of United Way*, 1977, preface). The first point of the 1975 purpose statement states: “To provide leadership and to stimulate citizen participation in the study, assessment and improvement of social conditions in the Greater Victoria area.” The purpose statement of 1975, which continues to the present day, reflects two of the stated objectives of the 1938 Constitution: “financial support of such agencies” and “aid in the effective planning and execution of the social service programme ...” However, reference to developing “team work between the social agencies” is no longer present in the current purpose statement. The two statements are in the same universe, but “to stimulate citizen participation” does seem to reflect a clear change in focus from the original objective of “to develop team work between the social agencies.”



### 3. War Amputations of Canada (Victoria Branch)

Incorporated in 1957, War Amputations of Canada (Victoria Branch) had a purpose statement consisting of 10 points, the first being “to bind together in a spirit of fraternity all men and women who have lost a limb, or limbs, or complete eyesight, as a result of war services rendered to Canada, the remainder of the British Empire and their Allies, and to inculcate a spirit of loyalty to Canada and the Empire.” The remaining points described services that the organization would provide. In 2002, the Constitution stated that the primary purpose “of this branch of the War Amputations of Canada is to provide financial and advisory services to those who have lost a limb, limbs or total eyesight in military service in the Armed Forces of Canada or her allies during time of war and to provide similar services to persons resident in Canada who have undergone amputations for causes other than war.” The current purpose statement has synthesized and integrated the multiple points in the original statement that itemized the services that the organization would provide and it reflects changing social and cultural values in that references to the “British Empire” and “inculcate a spirit of loyalty” have been removed. The current purpose statement also reflects the capacity of the organization to retain its essential, original purpose but expand its defined beneficiaries so that the organization can continue to exist in the face of changing demographics.

The changes to the constitution were undertaken by head office in Ottawa. At the time of this writing, it had not been possible to learn more, and the local branch is now in the process of closing.

#### *Unique Characteristics*

The YM-YWCA of Greater Victoria and the United Way of Greater Victoria present unique characteristics that go to the heart of this article.

The YM-YWCA had, by the year 2002, developed a mission statement separate from its purpose statement, providing support for the argument that this separation may be useful. Remarkably, this agency had also changed its by-laws to identify the first duty of the board as to “keep the mission and end statement of the Association clearly in focus and satisfy itself that the accomplishments and activities of the Association are in harmony with the mission.” At the time of this writing, it had not been possible to learn more about how this change occurred, which is truly unfortunate because this article in the by-laws clearly suggests that purpose, for this board, is a touchstone.

The United Way is an umbrella agency and renews an agreement with its member agencies each year. The agreement introduces a third statement of purpose for this agency and, as was the case between the 1938 and 1975 Constitutions, differs slightly in perspective from each of the constitutional statements. The president was asked whether these albeit small differences in perspective affected board decision-making. He identified a lack of focus at the board level, which he suspects is the result of imprecision about fundamental purpose.

Taken together, these two agencies provide evidence to support the argument that remaining relevant with reference to the original purpose of the organization matters.

## **Conclusion**

This article argues that the original purpose of the organization is the touchstone for decision-making and the source of board authority in an organization. Adaptations to remain relevant that are made without reference to that original purpose and its connected internal logic can compromise efficiency and effectiveness. Adaptations that are made without reference to original purpose compromise the trust that the purpose for which the organization was created will be honoured over time and, thus, result in accountability being less than fully achieved.

If the arguments and findings presented in this article are found to be credible, then continuing research is required to answer further, related questions. For example:

1. What is the understanding of owners in organizations that have remained true to their original purpose or mandate?
2. Do organizations that remain relevant in a way that is consistent with the purpose that brought them into existence demonstrate better than average ability or success in using existing protocols for achieving accountability?
3. Do organizations that are defined as well-functioning consistently know what their mandate is?

Models of program evaluation and performance measurement direct practitioners to link results to the purpose of the program that is being evaluated. They do not, however, give direction to link the purpose of the program with the purpose of the organization. The *Twelve Attributes of Effectiveness* proposed by the Canadian Comprehensive Auditing Foundation (1997) begin with “management direction,” but it is not clear that the “objectives of the organization” refers to original purpose or mandate.

Useful data might be generated very quickly if practitioners in these fields began to link the program they are reviewing or auditing to the original purpose or mandate of the agency, branch, or ministry.

appendix 1

appendix 2

## REFERENCES

- Bryson, J. M. (1995). *Strategic planning for public and nonprofit organizations*. San Francisco: Jossey-Bass Inc.
- Carver, J. (1997). *Boards that make a difference: A new design for leadership in nonprofit and public organizations* (2<sup>nd</sup> ed.). San Francisco: Jossey-Bass Inc.
- Cutt, J., & Murray, V. (2001). *An approach to a balanced scorecard for United Way organizations*. Victoria, B.C.: School of Public Administration, University of Victoria.
- Drucker, P. (1994). *Post-capitalist society*. New York: Harper Collins Publishers Inc.
- Deloitte & Touche. (1995). *The effective not-for-profit board: Governance of not-for-profit organizations*. Toronto: Author.
- United Way of America. (1997). *History of the United Way*. Atlanta: Author.
- Chippindale, W., Belbeck, K.G., Hession, R.V., Lewis, D., Rayner, M.H., & Taylor, C.I. (1987). *Effectiveness reporting and auditing in the public sector: Summary report*. Ottawa: Canadian Comprehensive Auditing Foundation.
- Nonaka, I., & Takeuchi, H. (1995). *The knowledge-creating company*. New York: Oxford University Press.
- Panel on Accountability and Governance in the Voluntary Sector. (1999). *Building on strength: Improving governance and accountability in Canada's voluntary Sector, final report*. Ottawa: Author.
- Oliver, C. (Ed.). (1994). *The policy governance fieldbook*. San Francisco, Jossey-Bass Inc.
- Smith, D. H. (1995). *Entrusted: The moral responsibilities of trusteeship*. Bloomington: Indiana University Press.

## NOTES

1. Dr. Jim Cutt and Dr. Vic Murray (University of Victoria School of Public Administration) have provided invaluable advice, insight and comment during the course of this journey.
2. Nonaka and Takeuchi (1995) identify the critical role that an organization's leaders play in knowledge creation. Top management create a vision and provide a sense of direction. They articulate broad goals that also include what is *not* acceptable. They begin with a broad sense of intended results. Drucker (1994) described organizations as "special-purpose institutions" that "exist to produce results on the outside" (pp. 53–54). He also notes that the specialists who are involved with organizations require a clear, focused mission – they need to work toward clearly defined results. Carver (1997) described the critical role of boards in nonprofit organizations to be that of defining the results expected of management (ends) within the parameters of "executive limitations."
3. The agencies were: Maritime Museum of Victoria, Capital Families Association, Victoria Hospice Society, and the British Columbia Association of Performing Arts Festivals.