An exploratory study to understand the challenges encountered by Irish charities with implementing good governance standards.

A dissertation submitted to the National College of Ireland in partial fulfilment of a MSc in Management

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Submitted to the National College of Ireland
21st August 2019

Abstract

While there is a significant amount of literature available in the area of governance and regulation for commercial entities, this is a relatively new topic in terms of charities, not for profits or the 'third sector'. This thesis has identified some of the key themes that have emerged within the literature as a result of enhanced regulatory obligations or a change in public expectations. The factors leading to variations in governance practices are discussed within the context of the identified governance frameworks and a view is formed on what the key governance challenges are for Irish charities following the introduction of formal regulation.

The researcher engaged a qualitative approach to gather information through semi-structured interviews with nine participants. All participants have current senior roles in the charity sector as senior management of incorporated charities, consultants or advocates/regulators. A focus group was then conducted with seven Regional Managers (CEO equivalent) who are the most senior employees within their respective incorporated charities. Each are leading an individual charitable entity (CLG) with the same objects, but in different areas of Ireland. The purpose of the interviews was to elicit information from senior professionals within the 'third sector' regarding their experience of governance issues, while the purpose of the focus group was to facilitate a discussion between senior professionals from within the same network of charitable companies on the findings from the individual interviews.

The results of the research showed a clear willingness to comply with the new regulatory obligations that charities have. There is no indication that organisations are not willing to comply or operate to the highest governance standards but there are clearly challenges facing the sector. The challenges facing organisations are outlined along with a commentary regarding how better management and the creation of a balanced agenda of compliance with the expected governance standards, and service delivery will result in well-run organisations and lead to better services for the end user.

This thesis discusses considerations for charities when deciding on their governance model and highlights how a hybrid of existing theoretical frameworks may be appropriate for implementation within the sector.

This thesis excludes any consideration of public service health and education organisations that are registered as charities by virtue of the fact that they held Revenue CHY numbers prior to the establishment of the Charities Regulatory Authority.

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Acknowledgements

I would like to acknowledge and thank the following people who have supported me in completing my MSc in Management:

- Margaret Darcy, my supervisor for this dissertation, for her assistance, support and guidance.

- The academic staff and my fellow students in the National College of Ireland who provided wonderful support over the duration of this MSc programme.

- Those who participated in the study and gave so generously of their time, experience and expertise.

- My friends and family for all their encouragement and support.

I dedicate this dissertation to my wife, Orla, and son, Tom, who have, with their love and support, encouraged, motivated and shown tremendous patience to enable me to complete this programme over the last two years.

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List of Abbreviations

CEO	Chief Executive Officer
CGC	Charities Governance Code
CLG	Company Limited by Guarantee
CRA	Charities Regulatory Authority
CRO	Companies Registration Office
DCYA	Department of Children and Youth Affairs
FAI	Football Association of Ireland
LGMA	Local Government Management Agency
NYCI	National Youth Council of Ireland
RBO	Register of Beneficial Owners
SORP	Statement of Recommended Practice
TAR	Trustee Annual Report
TSO	Third Sector Organisation

Chapter 1 – Introduction

1.1 – Introduction

This chapter provides the reader with a brief overview of charities regulation in Ireland and then further describes how this thesis will discuss and comment on the common themes and theoretical frameworks that have been identified. The aim and rationale of this thesis will be introduced along with an explanation of the structure of the document to guide the reader through the information enclosed.

1.2 – Charities Regulation

(Cordery and Deguchi, 2018, p. 1334) citing Salmon (1987) note that "primarily charities act to redistribute resources from donors and funders to beneficiaries in order to repair market and government failures". The position that these organisations have in our society, providing such essential services, requires a significant amount of trust to be placed in them by the public. Society demands that the money and supports given to these organisations are managed appropriately, to provide the best possible service for those that need it. It is the job of the Charities Regulatory Authority (CRA) to be the 'watchdog' on behalf of the public to ensure charitable organisations are complying with their statutory obligations.

Currently, according to MaGuire (2019) there are over 9,700 organisations on the charity register in Ireland but there are a further 28,000 not for profit (NFP) organisations. While the NFP organisations do not operate within the same regulatory framework as registered charities, there remains a public expectation that the business of these organisations is conducted with the appropriate structures in place to ensure effective governance. This expectation is evidenced by the announcement of Sport Ireland in June 2019 that is taking over the Governance Code for Community, Voluntary and

Charitable Organisations as a governance code for sport. This follows the decision of the Governance Code Working Group to retire the Code of Practice for Good Governance of Community, Voluntary and Charitable Organisations in favour of the new mandatory Charity Regulator Governance Code. Sport Ireland (2019) noted that it wished to ensure that all funded organisations have appropriate governance structures in place.

The CRA was formed in Ireland in 2014 in accordance with the provisions in the Charities Act 2009. While the initial stages of the formation were essentially about the establishment of the structures and generating the register of charities, the CRA has now started to be granted some of its other powers established under the act, e.g. compulsory registration in 2016, compulsory reporting and independent investigating, and so from 2017 we can analyse a full year of regulatory reporting. According to the CRA (2019), the number of charities on the register in 2018 was 9,799 and this marked a net increase of 742 on the previous year. This is a growing sector that is moving towards compliance with relatively new statutory obligations.

In recent years there have been a number of scandals that have featured in media reports causing public outrage. Instances of poor governance practice in the 'third sector' such as excessive CEO remuneration, undeclared conflict of interests and poor financial reporting, which are, generally speaking, issues of poor governance, have negatively impacted on the trust placed in charities by society.

The introduction of the voluntary governance code in 2012, followed by the compulsory code in 2018, while giving the organisations more of an administrative burden, which may increase costs, are, according to Amárach Research (2017) "seen to have three distinct advantages:

1. Build public trust;
2. Raise operating standards;
3. Create a climate of protection for Board members."

1.3 – Aim of Thesis

Due to the fact that there is now an obligation for charities to comply with statutory regulations, it is essential that an understanding is gained of what the challenges are for those organisations to comply with these requirements.

This thesis aims to provide results that can be transferred into frameworks, solutions or commentary for the challenges identified by charities regarding the implementation of the regulations. While it is inarguable that organisations should comply with the defined practices, it is beholden on the influencers within the sector to work with the CRA to ensure that charities are not regulated to extinction and that they can be supported to fulfil their obligations where possible. This thesis will, I believe, identify solutions to the challenges faced by organisations in this new regulatory environment.

1.4 – Rationale

Stone and Ostrower (2007) notes the existence of a gap between research in governance, governance of non-profit organisations and the link between public benefit. (McConville and Cordery, 2018, p. 13) further speak about the regulatory models that are being suggested through research from "command and control to new governance and market-based regulation". These discussions regarding the implementation of formal regulation need to consider the challenges already being faced by organisations and how regulation should be implemented in a proportional manner to achieve the final aim of sectoral confidence.

1.5 – Thesis Structure

- **Chapter 1** provides an introduction to the topic and briefly discusses the aim and rationale of the study.

- **Chapter 2** conducts a literature review and highlights the theoretical frameworks and common themes that lead to the development of the authors research objectives.

- **Chapter 3** defines the research questions and objectives of the study.

- **Chapter 4** discusses the methodology in detail. It comments on the selection of a qualitative method, the use of semi-structured interviews and a focus group.

- **Chapter 5** will outline the findings from the interviews and focus group and will map these to each of the objectives.

- **Chapter 6** is a general discussion on how the authors findings compare to areas highlighted from the literature review and on emerging issues regarding the challenges that organisations are facing with complying with their new obligations.

- **The Final Chapters** provide a reflective space to consider the conclusion, limitations, recommendations and further gaps warranting research.

Chapter 2 – Literature Review

2.1 – Introduction

The literature review has been conducted as a desktop review of appropriate literature relevant to the area of study. The review looks at governance theoretical frameworks and then gives a detailed focus to a number of topics that are of particular relevance when considering good governance of charities and non-profit organisations.

The review has been carried out in a systematic manner and has been conducted by a process that "gathers information on a subject or evidence to support a hypothesis in order to contextualise research data" (Winchester and Salji, 2016, p. 309).

The researcher identifies appropriate material from multiple sources. As well as research conducted through the college supported channels and personal contacts made from holding senior leadership positions within the sector for over ten years, the researcher made direct contact with organisations that regulate and support the 'third sector' in Ireland as well as reaching out to published academics who are considered expert in the area of study.

Consideration was given to books from published authors in the subject of charity regulation and/or governance, journal articles from research conducted in related subjects and grey literature. (NYAM, 2009) defined grey literature, as "That which is produced on all levels of government, academics, business and industry in print and electronic formats, but which is not controlled by commercial publishers". This has provided some important information for the research through reports from the CRA, Benefacts and other appropriate Irish charitable entities.

The themes emerging from the review of the current literature are transparency, accountability, public benefit, compliance, leadership and integrity.

2.2 – What is Good Governance?

While good governance can mean different things to different people, in Ireland, both Pobal and the CRA have broadly the same definition. This is probably unsurprising given that they are both government agencies with statutory responsibility for working with, supporting and regulating organisations delivering services to citizens through public entities or charitable bodies.

The CRA (2018a) and (Pobal, 2018, p. 05) agree that good governance is the "framework of structures, rules and processes by which organisations exercise their formal power and responsibilities". Good governance is essentially the umbrella term for the rules, processes and policies that organisations, regardless of their purpose, are operated and regulated. (Pobal, 2018, p. 05) note the other important function that good governance seeks to achieve in community, voluntary and not-for-profit organisations and that is "to ensure that the organisation or group adheres to its purpose and serves the target groups or communities for which it was set up to support".

(Horan, 2019, p. 07), noted in the Governance Review Group report regarding governance structures at the Football Association of Ireland (FAI), that "governance comprises the arrangements put in place to ensure that the organisation fulfils its overall purpose and achieves its intended outcomes for all its stakeholders". He further states that "governance is concerned with leadership and direction, structures and authority levels, processes for decision making, accountability arrangements, risk management, internal controls, culture and related behaviours within the organisation".

The common themes appearing from the definitions within an Irish context is that governance is about the arrangements that are put in place by organisations to realise their goals and that it is the responsibility of the board/governing body, depending on the legal status of the organisation, to ensure these arrangements are in place. Governance is a means to an end, it is not a stand-alone concept, nor does it need to be overly complicated, but

it needs to be comprehensive and consistent. It is not about always making the right decisions, but about having the best possible practices in place for making those decisions.

2.3 – Theoretical Framework

(Cornforth, 2005, pp. 24 - 25) notes the common theoretical frameworks used to explain organisational governance as outlined in the following table;

Theory	Interests	Board Members	Board Role	Model
Agency Theory	'Owners' and managers have different interests.	'Owner/mandators' representatives	Conformance: • Safeguard 'Owners' interests. • Oversee Management. • Check Compliance.	Compliance model
Stewardship Theory	'Owners' and managers share interests.	Experts	Improve performance: • Add value to top decisions/strategy • Partner/support management	Partnership model
Democratic Perspective	Members/the public contain different interests	'Lay' representatives	Political: • Represent member interests. • Make Policy. • Control executive.	Democratic Model
Stakeholder Theory	Stakeholders have different interests	Stakeholder representatives	Political: • Balancing stakeholder needs. • Make Policy. • Control executive.	Stakeholder Model

Resource Dependency Theory	Stakeholders and organisation have different interests.	Chosen for influence with key stakeholders.	Boundary spanning: • Secure resources. • Stakeholder relations. • External Perspective.	Co-optation Model
Managerial Hegemony Theory	'Owners' and managers have different interests.	'Owners' representatives	Symbolic: • Ratify Decisions. • Give Legitimacy (managers have the real power).	'Rubber stamp' Model

Table 1: A comparison of governance theoretical frameworks. (Cornforth, 2005, pp. 24–25)

While there is a view that the theory regarding non-profit organisations is relatively underdeveloped, we can see from the development of the various governance codes that the development of a new governance concept, taking into account some of the principles of each of the aforementioned theories, is warranted.

2.3.1 – Agency Theory

Agency theory, common in commercial enterprises, assumes that the owners of the entity have different interests to those that manage it. Agency theory supports the 'controlling' of management to ensure that they are acting in the best interests of the organisation. This behaviour highlights the need for directors to be completely independent of management so as to ensure managerial compliance. The difficulty with applying this theory in practice is that in non-profits, it can be difficult to determine who the 'owners' are. They can be considered to be the board, the members, funders, or those who access the services.

2.3.2 – Stewardship Theory

According to Coule (2015), stewardship theory assumes owners (board members) and managers share interests. This is common in membership organisations where board members are appointed to positions by virtue of the skills that they add to the board thus adding value to the strategic decision-making process. Organisations need to ensure that appropriate skills matrices are in place to determine the most suitable board members so that this 'partnership model' can work well and yield positive results for the organisation. Boards operating in this framework need to exercise care that this does not lead to the power and control being held by longstanding members for long periods of time thus not achieving an appropriate level of 'board rotation' and a possible 'group think' situation.

2.3.3 – Democratic Perspective

The democratic model, as noted by Hyndman and McDonnell (2009), is an approach that results in a model of user involvement. This typically manifests when boards have reserved places for individuals who represent a particular cohort of members, (e.g. a certain age rage or geographic spread). While at face value this model seems fair and appropriate for membership organisations, elections can become popularity contests that don't necessarily lead to the most appropriate people joining the board and the board ending up behaving in a parochial manner. It is required through the CRA (2018a) Charities Governance Code that boards should establish a nominations committee that 'vet' potential board members and to ensure the board has an appropriate mix of skills, experience and representation to conduct its business well. The democratic perspective has the benefit of the provision of holding board members to account on a regular basis through re-election.

2.3.4 – Stakeholder Theory

Stakeholder theory, is criticised by (Elmagrhi, Ntim, Malagila, Fosu and Tunyi, 2018, p. 483) due to its "failure to outline how to align the often conflicting interests of different groups of stakeholders". (Coule, 2015, p. 78) argues that because "stakeholders have different interests, it is therefore important that the governing board is made up of stakeholder representatives". This enables engagement with stakeholders that can positively affect the growth of an organisation through funding or service/partnership opportunities. The challenge remains to ensure that board members act in the best interests of the organisation as a whole rather than just representing 'their patch'.

2.3.5 – Resource Dependency Theory

Resource dependency, according to Hyndman and McDonnell (2009), states that a major part of the boards job is to ensure that the organisation can collect the resources it needs to survive. This points to board members being appointed because of the network of connections they might have, as opposed to them having an expertise in governance matters, which could feature as a lower priority. (Crawford, Morgan and Cordery, 2018, p. 201) note that their studies in this area "indicate that conflicts could arise between resource dependency from funders and staying true to the organisational social goals".

2.3.6 – Managerial Hegemony Theory

Managerial Hegemony Theory, according to Chambers, Harvey and Mannion (2018) suits CEOs who do not want the directors too involved in the day to day operations of the company. The 'power' of a CEO comes under criticism with this theory and it does not have an appropriate fit in non-profit governance. A CEO that does not have authority appropriately delegated, and in turn held to account, can lead to a board 'coasting' or 'inertia'. Boards that have practiced the operation of this type of framework have done a disservice to the

organisations they claim to control. The most recent example of this framework is evident in the governance review of the FAI by Horan (2019).

2.3.7 – Theoretical Framework Conclusion

Cornforth (2005) suggests that the defined theories do not match the reality of non-profit organisational complexity. It is further suggested that to address that challenge, a hybrid framework model could be developed. This thinking was agreed with by McDonnell (2016), one of the original authors of the voluntary governance code in Ireland. The framework that was developed by the governance code working group was the first of its kind in Ireland to try assist non-profit organisations comply with a common standard of governance on a voluntary basis. This has subsequently been replaced with a compulsory code by the CRA. While the codes did not go as far as to map an ideal model of governance, they highlighted key themes that organisations should be compliant with.

2.4 – Common Themes

The common themes appearing within the research and evident from the obligations noted by the CRA (2018a) are the six principles of the charities governance code:

- Transparency
- Accountability
- Public Benefit
- Compliance
- Leadership
- Integrity

The researcher has assessed the academic work that has already been conducted regarding at these topics with the intention that the findings of this

work will assist with the development of the research questions to be used in this study.

2.4.1 – Transparency

Morgan-Jones and Bird (1981) and Hyndman and McDonnell (2009) agree that poor reporting leads to a lack of transparency and further to this, (Schnackenberg and Tomlinson, 2016, p. 1784) notes that "transparency is often cited as essential to the trust stakeholders place in organisations".

Cordery (2013) suggests that public interest theory points to regulation increasing transparency through reducing information asymmetry and that poor reporting by charities can lead to a lack of transparency. Cordery (2013) further suggests that there is a perception that non-profits have transparency issues' and therefore that regulation is required to improve charities transparency and accountability. (McDonnell, 2017, p. 02) argues "that the continued success of the charity sector depends not only on its economic and social activities but also on its ability to demonstrate accountability and transparency, which in turn can protect and enhance public confidence". Charities that promote transparency as a way of working and ensure that information on the operations and public benefit are readily available to their stakeholders and funders promote a culture of trust and confidence.

(Cordery and Morgan, 2013, p. 757) states that "the impetus for regulation and oversight of third sector organisations (TSOs) arises partly from calls for increased accountability and transparency of the sector. One role of regulation is to enhance the reputation of TSOs through requiring them to meet particular standards in terms of being legally registered and report on a regular basis." In Ireland, charities that meet the criteria of charitable organisations are required to register with the CRA and comply with the reporting rules. Currently there are over 9,700 organisations on the charities register in Ireland but there are a further 28,000 not for profit organisations (NFP) MaGuire (2019).

(Dunne, 2013, p. 115), commenting on the governance and performance reporting in Scottish charities notes how vital it is that "transparency regarding a charity's operations and use of resources is communicated to interested parties" and that "it is more difficult to demonstrate transparency in the decision-making processes of stewards within organisations that act in the interest of the public compared to their private sector profit-oriented counterparts."

The CRA in its 2017 Annual Report noted that "29% of the concerns received in 2017 related to financial control and transparency" (Charities Regulator (Ireland), 2018, p. 21). The above commentary, complimented by the statistical results provided by the CRA, confirms the level by which the charity stakeholders view the importance of transparency.

Hyndman and McConville (2016) note the importance of transparency in efficiencies and the opportunity for further research to be carried out in this area. (Schnackenberg and Tomlinson, 2016, p. 21), discuss the link between transparency and stakeholder theory and identify the need for "researchers to further investigate the role of transparency as a means to manage stakeholder relations."

2.4.2 – Accountability

Morgan and Fletcher (2013) discuss the requirements of charity trustees to produce a trustee annual report (TAR) as an important aspect of charity accountability. Irish charities, and in particular, larger ones, who have been subject to the more onerous responsibilities associated with the provisions of the Companies Act 2014 and its previous iteration, are well used to providing these reports and using them as a means to highlight their key achievements and public benefit.

In an Irish context, accountability is currently primarily focused on financial matters. The functions of the CRA under the Charites Act 2009

include: ensuring the accountability of charities to donors and beneficiaries of charitable gifts, and the public (The Irish Government, 2009); and part of their method of discharging that responsibility is by ensuring "financial responsibilities have been assigned at management level with corresponding accountability" (Charities Regulator (Ireland), 2018d).

It is suggested by D. McDonnell (2017) that, although traditionally accountability was delivered through the financial statements, there are now increasing calls for a non-financial, performance narrative. This is evidenced by the reporting requirements of the CRA and how government-funded charities are required to report annually on the outputs and outcomes of their activities.

(Goodin, 2003, p. 06) alleged that "accountability is conspicuously lacking in the Third Sector" and that this was because it was not clear to whom the officers of the organisations were required to report and that there was an "absence of any category of 'residual owners' akin to shareholders". This concern is largely addressed with the formation of the CRA.

While it is compulsory for UK charities, that are incorporated entities, with a turnover of more than £250,000 to account using the statement of recommended practice (SORP) to record its financial activities, it is not so in Ireland. (The Wheel, 2018) note that "while charities SORP is not currently a requirement outside the UK, many large Irish charities have voluntarily adopted it in order to follow best practice in relation to accounting and reporting, and particularly to demonstrate the highest level of transparency and accountability for all their stakeholders". It is noted by Benefacts (2019) that in 2018 , 562 non-profit companies filed their financial statements using the SORP model and that this represented an annual increase of 4%. While this figure seems small relative to the overall number of charities in Ireland, there is only information available from the CRO which mean only charities that are incorporated entities are reported on. Currently there are over 4000 registered charities that operate as unincorporated entities. It is anticipated that the CRA will launch a mandatory financial reporting standard for Irish charities which

will force other charities to a uniformed method of reporting. SORP, as a method of financial reporting, provides a detailed narrative on the performance and outcomes of the charity giving the stakeholders an enhanced view of the operations of the organisation.

2.4.3 – Public Benefit

(Cordery and Morgan, 2013, p. 02) note "that requiring charities to reflect and report on how they meet the public benefit requirement was widely seen as a positive aspect". The CRA notes that to be classed as a charity, the organisation must be able to demonstrate a public benefit, not just a benefit for a single person (e.g. fundraising for medical treatment for an individual vs a class of person). Indeed, when applying for charitable status in Ireland, an organisation must clearly define its public benefit, this is a relatively new requirement. In the UK, organisations are not only required to define the public benefit but are also required to report on how they achieve this annually. In a research paper, Morgan and Fletcher (2013) note that there was low, medium and high concern among charities regarding the requirements of public benefit reporting. Charities with a high level of concern understood they needed to give more attention to these requirements, charities with medium levels of concern, strove to enhance the reporting they had in place. Interestingly, it was the charities with high levels of concern, that view themselves as being borderline charities so without giving appropriate attention to this reporting requirement, could see themselves being struck off the charities register.

Notwithstanding the fact that UK charities have had to report on their public benefit since 2008, (Hyndman and McDonnell, 2009, p. 28) note that the "debate as to whether a charity provides a public benefit, and what indeed a public benefit is, has been extensive, particularly in cases where charities charge fees that, de facto, exclude many people". Do charities that charge a membership fee, meet the criteria by the very fact that some may be excluded for economic reasons?

The public benefit test means that organisations need to provide evidence that:

1) The beneficiaries must be appropriate to the aims;
2) The opportunity to benefit must not be unreasonably restricted;
3) People in poverty must not be excluded from the opportunity to benefit; and
4) Any private benefits must be incidental.

Overall the literature is pointing to a general acceptance of the requirement of public benefit reporting but it is noted by (Morgan and Fletcher, 2013, p. 812) that "further research on accountability regarding the development of mechanisms for communicating this public interest dimension may offer a useful development".

2.4.4 – Compliance

According to the CRA (2018b), at the end of 2017, there had been a reduction by 56% from 2016 of charities in non-compliance with the Charities Act. This is pointing to a general acceptance and willingness to be demonstrably complaint with the regulations so that stakeholders can be reassured that these organisations are well run and that the funds are well managed.

(Neely, 2011, p. 122) discusses the impact of being compliant from a financial point of view and cites that the "The increase in accounting fees [for charities] is economically significant, since most non-profits say an audit is a cost they would rather do without, and spend that money, instead, on programs." But he also goes on to state that organisations that did not conduct an audit pre-2003 and were then subject to these regulations noted a "marked improvement of 7% in reported fundraising". This points towards an increase in stakeholder confidence.

In an Irish context, since charity regulation is a relatively new phenomenon, and SORP is not yet mandatory, compliance, heretofore, has often been

referred to in the context of the voluntary Governance Code. (A. McDonnell, 2017b, p. 02), in his submission to the Governance Code Review noted, "smaller entities facing an ever-increasing compliance burden" and "mandatory rules demanding statutory compliance" that does not lead to "rear-guard defences along with tick- box compliance and being distracted from the forward-looking orientation on achieving strategic objectives". He suggests that "rules and principles don't have to be mutually exclusive. There could be a regulator's mandatory code of basic rules and practices for all charities and a complementary sector body's guidance on enhanced principles-based governance practices for charities over a certain size" and that "it is not pointing towards a 'one size fits all model".

2.4.5 – Leadership

(Third Sector Company, 2019) states that "good leadership is rooted in the ability to achieve growth and sustaining the engagement of people to accomplish something extraordinary together". When we look at leadership in a non-profit context, the literature tends to point to boards and senior management, what 'tone' is set and how the mission, aim and values are translated into the day to day work. (Parsehyan, 2011, p. 171) offers a view that "most organisations today prefer that their middle-ranking staff take on a leadership role" and this is to empower them to compete with the sometimes rapidly changing environment they find themselves in.

Some leadership theories that are particularly linked with the not for profit sector are servant leadership and transformational leadership. (Stone, Russell and Patterson, 2004, p. 355) refer to the transformational leader building a commitment to the organisation and the servant leader whose primary focus is on their followers and the have an "unconditional concern for the well-being of those who form the entity." These leadership styles have a link to the governance theory and there is potential for organisations to attract board members with these styles based on how the organisation is governed.

The Public Sector Commission (2017) notes the importance of the contribution that boards make by providing strategic leadership and direction across services. This variation in theoretical approach supports the view that organisations are best served when board members bring different skills to the table. (Ingley and Walt, 2001, p. 175) talk about the importance of board members "setting the strategic course for the organisation" while also periodically reviewing the mission, values and aim of the organisation. (Harris, Petrovits and Yetman, 2017, p. 153) talks about the "tone at the top" and the leaderships engagement in the charities mission. This is discussed in the context of setting appropriate controls and accountability practices. (Stone and Ostrower, 2007, p. 420) discuss effective CEOs as those who provide "board-centred leadership" by providing guidance to the board in fulfilling its governance function.

2.4.6 – Integrity

Within the charities governance code there are six principles. Each principle has a number of core standards that all charitable organisations are expected to comply with and there are 'additional standards' that only apply to more complex organisations. The principle of behaving with integrity has no additional standards, all organisations are expected to comply with every aspect of the charity governance code in this respect. This alone highlights the importance that is placed on this principle in the eyes of the CRA. Integrity, the trait of demonstrating honesty and having strong moral principles, is clearly an important factor in developing trust and public confidence in the organisation. (Connolly, Hyndman and Liguori, 2019, p. 06) talk about charities developing "intangible sources of external legitimacy such as integrity, which, in turn, are likely to engender the trust and support, not only of beneficiaries, but also of donors/funders".

Stone *et al.* (2004) note that integrity is a common attribute between servant and transformational leaders and Ingley and Walt (2001) list integrity as the most important attribute of board directors.

Harris *et al.* (2017) links integrity with leadership discussing how the 'tone at the top' and the implementation of a code of conduct for directors increase workplace integrity and again, demonstrates managements engagement with the organisations mission.

(Schnackenberg and Tomlinson, 2016, p. 1797) reinforce the link between integrity and trust in an organisation with their view that "Stakeholder perceptions of an organization's information accuracy are positively related to perceptions of the organization's integrity" and that "Integrity perceptions refers to the degree to which the organization enacts values that stakeholders find acceptable, including honesty".

2.4.7 – Common Themes Conclusion

The key themes that have been discussed have demonstrated links to each other and to the various governance theories discussed earlier. It is clear from the research that the importance of organisations and boards implementing practices to ensure that their charities can report positively on these key areas, and show demonstrable compliance with the CRA governance code, cannot be underestimated.

2.5 – Literature Review Conclusion

Charitable entities, regardless of whether they are funded publicly through the exchequer or privately through membership fees or fundraising events, are quite different to private commercial entities. Their public benefit purpose, large stakeholder base and multiple regulatory and reporting channels may make it difficult to measure their success or impact as it is not viewed from the 'bottom line' of the financial statements but rather from the provision of their service or societal impact. There can be different perspectives on this measurement depending on if you are a funder or service user. Certainly, the major challenge facing charitable entities at the moment is the 'governance

agenda'. Benefacts (2018) notes that without the confidence of the stakeholders that either fund charities through central government or private fundraising, this €14 billion sector could be significantly damaged.

Chapter 3 – Research Question and Objectives

3.1 – Research Area

The researcher decided on the research area using a rational and creative thought process. The techniques suggested by Saunders, Lewis and Thornhill (2009) include using a mixture of both the rational and creative way of thinking;

Rational thinking	Creative thinking
• Examining your own strengths and interests • Looking at past project titles • Discussion • Searching the literature • Scanning the media	• Keeping a notebook of ideas • Exploring personal preferences using past projects • Relevance trees • Brainstorming

Figure 1: More frequently used techniques for generating and refining research ideas (Saunders *et al.*, 2009, p. 25)

The researcher therefore considered his own strengths and interests, discussions with colleagues, media scanning, exploring personal preferences and brainstorming.

The research study was created to enable the researcher to investigate a topic that is:

- Currently on the social agenda;
- Relevant to his career;
- Of value to the sector within which he works at a leadership level.

This method of research choice was effective and avoided the "absolute panic because nothing in which you are interested or which seems suitable has come to mind (Jankowicz 2005)" that was cited by (Saunders *et al.*, 2009, p. 25).

3.2 – Research Question

The primary research question and the aim of this explorative study is to understand the challenges encountered by Irish charities with implementing good governance standards. The theoretical frameworks outlined in the literature review discuss a number of governance models that have been developed and the researcher will endeavour to ascertain if a theoretical framework can be defined that will identify the optimum governance arrangements for charities.

To achieve the aim of the study, the researcher will address the following sub-questions:

Q1:   Examine the nature and extent of the concerns regarding regulatory implementation in Irish charities.

Q2:   Identify and discuss the factors that lead to the variation in governance practices in Irish charities.

Q3:   Examine if the introduction of charity regulation correlates with the better delivery of organisational services.

Q4.   Can a theoretical framework be defined to state what the optimum model of governance is for charities?

3.3 – Research Objectives

It is clear from the literature review that the breath of research available on the subject of not for profits is extensive, however there are significant gaps in the theory regarding the implementation of formal regulation of charities. The themes that are recurring are current and on-trend. Charities are working in an increasingly regulated environment and enjoy a position of trust in society

but as can be seen from some very recent, high profile scandals reported in the media, the trust is fragile:

- "1 in 3 charities report drop in income after scandals in sector' (RTE, 2016);
- "Console scandal: Elaborate web of deceit of an 'untouchable' charity founder" (O'Regan, 2016);
- "Scouting Ireland's €1m in State funding to be withheld" (Power, 2018).

By answering the questions that are outlined above, this research can be used by charity organisations to determine the most appropriate model for their governance structures. As governance and charities regulation is very much on the societal radar at the moment, this work has the potential to contribute positively to the ongoing changes within the sector.

3.4 – Personal Motivation

In a sector that is facing increasing regulatory obligations, those of us who hold senior executive positions have a leadership responsibility to ensure our organisations act in a responsible and transparent way. I have been professionally engaged in the governance agenda for nearly ten years and have worked through governance code audits. I would like this research to contribute to the identification of current challenges facing organisations as they move to comply with their new obligations and facilitate discussion on overcoming those challenges.

Chapter 4 – Methodology

4.1 – Introduction

(Saunders *et al.*, 2009, p. 05) defines research as "something that people undertake in order to find out things in a systematic way, thereby increasing their knowledge". This chapter sets out the research framework, method of data collection and the rationale for conducting the research using this approach. This chapter will further examine the research philosophy, approach and strategy. The conclusion of the chapter will outline the authors consideration of ethical issues.

4.2 – Research Philosophy
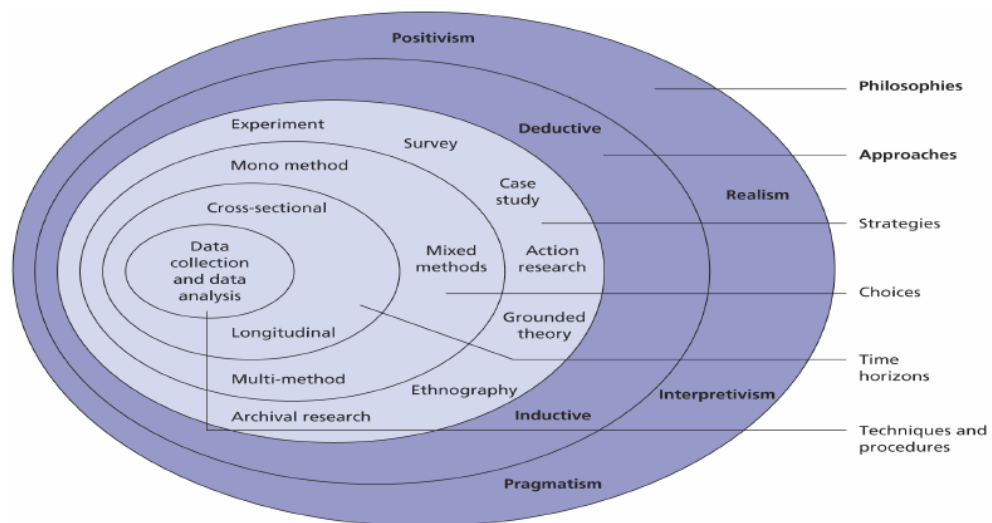
Figure 2: The Research 'Onion' (Saunders *et al.*, 2009)

The research philosophy adopted by the researcher "contains important assumptions about the way in which you view the world" and these assumptions "underpin the research strategy and methods chosen as part of the strategy" (Saunders *et al.*, 2009, p. 108). When examining research philosophy, it is agreed by Johnson and Clarke (2006) and Saunders *et al.* (2009) that the research strategy, methods and philosophy have a close relationship as once the philosophy is defined, that in turn forms the strategy

and has a lasting impact on how the research is conducted and how the data that has been collected is understood. The two types of research compared by Saunders *et al.* (2009), one searching for facts, the other for feelings and attitudes, will differ in strategies, methods and data selected as being useful to the research.

Using the 'research onion' diagram (Figure 2), the researcher noted that the research philosophies within the outer layer, essentially provide the foundation on which the study is built. The researcher considered a number of philosophies mentioned in the 'onion' when developing this study. In considering a pragmatic philosophical approach, (Saunders *et al.*, 2009, p. 110) discusses the concept of ontology and how it "raises questions of the assumptions researchers have about the way the world operates" as epistemological concerns relate to 'truth' rather than 'how to', the researcher needed to acknowledge that the research question is not based on any assumptions but is seeking knowledge regarding how Irish charities are adopting to the implementation of formal regulation.

Positivism, similar to pragmatic thinking, proposes that there should be an emphasis on objectivism. (Bryman, 2001, p. 12) notes the purpose of positivism is to "generate hypotheses that can be tested and will thereby allow explanations of laws to be assessed". He further notes that "knowledge is arrived at through the gathering of facts" and that "science must be conducted in a way that is value free (objective)". This research will present some answers from participants that will be quite subjective. This is to enable the researcher gather expert opinion on challenges from within the third sector on the implementation of formal regulation.

4.3 – Research Approach

The next layer of the 'research onion' considers research approaches. The theory required for use in research is classed in two distinctive approaches, deductive and inductive.

Deduction (testing theory) is considered in the context of scientific research and comprises the development of a theory that is exposed to thorough testing.

(Saunders *et al.*, 2009, p. 124), citing Robson (2002) notes that deduction is developed through five stages:

1) "Deducing a hypothesis
2) Expressing the hypothesis in operational terms, which propose a relationship between two specific concepts or variables
3) Testing this operational hypothesis
4) Examining the specific outcome of the inquiry
5) If necessary, modifying the theory in the light of the findings"

The use of a deductive approach requires the researcher to base their results on logic. The ability to base findings on experience or observation does not fit within this theory. With the constraints of only limited literature being available regarding the subject matter and the aim of gathering data based on individual experiences and views, the researcher believes that a deductive approach would not be appropriate for this study.

Deduction emphasises	Induction emphasises
• scientific principles • moving from theory to data • the need to explain causal relationships between variables • the collection of quantitative data • the application of controls to ensure validity of data • the operationalisation of concepts to ensure clarity of definition • a highly structured approach • researcher independence of what is being researched • the necessity to select samples of sufficient size in order to generalise conclusions	• gaining an understanding of the meanings humans attach to events • a close understanding of the research context • the collection of qualitative data • a more flexible structure to permit changes of research emphasis as the research progresses • a realisation that the researcher is part of the research process • less concern with the need to generalise

Figure 3: Major differences between deductive and inductive approached to research. (Saunders *et al.*, 2009, p. 127)

The induction (building theory) approach understands that the researcher has developed some assumptions or the shell of a theory from conducting the literature review. (Saunders *et al.*, 2009, p. 126) comments that "you may end up with the same theory, but you would have gone about the production of that theory using an inductive approach: theory would follow data rather than vice versa as with deduction".

The researcher, assessing both theories, has selected an inductive approach and will develop a series of research questions to elicit answers from the study participants. A further valid consideration is that a deductive approach would require the researcher to hold an expert knowledge in the field of study gleaned from the literature review. The limitations of the availability of literature in this area have been previously mentioned, so building this 'expert knowledge' was not possible.

The research purpose is a further consideration when making decisions regarding approach. There are three methods of research used to classify the purpose of the research; exploratory, descriptive and explanatory.

- Exploratory – what is happening, gain new insights and ask questions to assess in a new light;
- Descriptive – research used to describe a situation, subject or behaviour;
- Explanatory - attempt to connect different ideas and to understand the different reasons, causes, and their effects.

(Saunders *et al.*, 2009, p. 140) notes "three principal ways of conducting exploratory research:

1. a search of the literature;
2. interviewing 'experts' in the subject;
3. conducting focus group interviews."

Based on this description, an exploratory study was deemed the most appropriate mechanism by the researcher, however there will be some small level of cross over with descriptive and explanatory to allow for behaviours to be described and for ideas to be connected to the impact of formal regulation of charities.

4.4 – Research Strategies

The research onion by Saunders *et al.* (2009) notes seven research strategies that can be surmised as follows:

Strategy	Description
Experiment	The purpose of experiment research is to study causal links and whether a change in one independent variable produces a change in another dependent variable. Experiments tend to be used in exploratory and explanatory research to answer 'how' and 'why' questions.

Survey	The survey strategy is usually associated with the deductive approach. It is most frequently used to answer who, what, where, how much and how many questions. It therefore tends to be used for exploratory and descriptive research.
Case Study	The case study is a strategy for doing research which involves an empirical investigation of a particular issue within its real-life context.
Action Research	Action research refers to a wide variety of evaluative, investigative, and analytical research methods designed to diagnose problems or weaknesses and help develop practical solutions to address them quickly and efficiently.
Grounded Theory	Grounded theory is particularly helpful for research to predict and explain behaviour. The emphasis on this is upon developing and building theory. Grounded theory involves the collection and analysis of data. The theory is 'grounded' in actual data, which means the analysis and development of theories happens after you have collected the data
Ethnography	The purpose of ethnography is to describe and explain the social world the research participants inhabit in the way in which they would describe and explain it. This research strategy is very time consuming and takes place over an extended time period as the researcher needs to immerse themselves in the social world being researched as completely as possible.
Archival	Archival research makes use of administrative records and documents as the principal source of data.

Table 2: Research strategies description

Having given consideration to the above descriptions and the previously made decision that an exploratory study was the most appropriate mechanism for constructing this research, the researcher deemed that grounded theory was the most appropriate strategy to deploy for this study.

In the context of this research, the researcher conducted a literature review ahead of data collection and that was used as the means to develop theory in the data collection and review stages. The implications as noted by Saunders *et al.* (2009), in terms of this process being time consuming were considered by the researcher however given the nature of the topic of study, the researcher understood and was content to commit to such a process.

4.5 – Research Choices

While it would be easy, after selecting the topic, to jump straight to gathering data by using questionnaires or interviews, it is essential however, that before commencing the project, that the researcher gains an understanding and provides an explanation why the selected method of data collection was chosen.

The two terms that are most common with research projects are qualitative and quantitative data:

- Quantitative data is typically generated from large numbers of surveys and generated numerical data that can be analysed scientifically.
- Qualitative data provides a more detailed response from much fewer participants.

This research was conducted using a qualitative methodology as the research attempted to extract detailed and meaningful responses from the participants.

(Bryman, 2001, p. 264) notes qualitative research as a "strategy that usually emphasises words rather than quantification in the collection of analysis and data" and emphasises "seeing through the eyes of the research participants". The steps to qualitative research are outlined as follows:
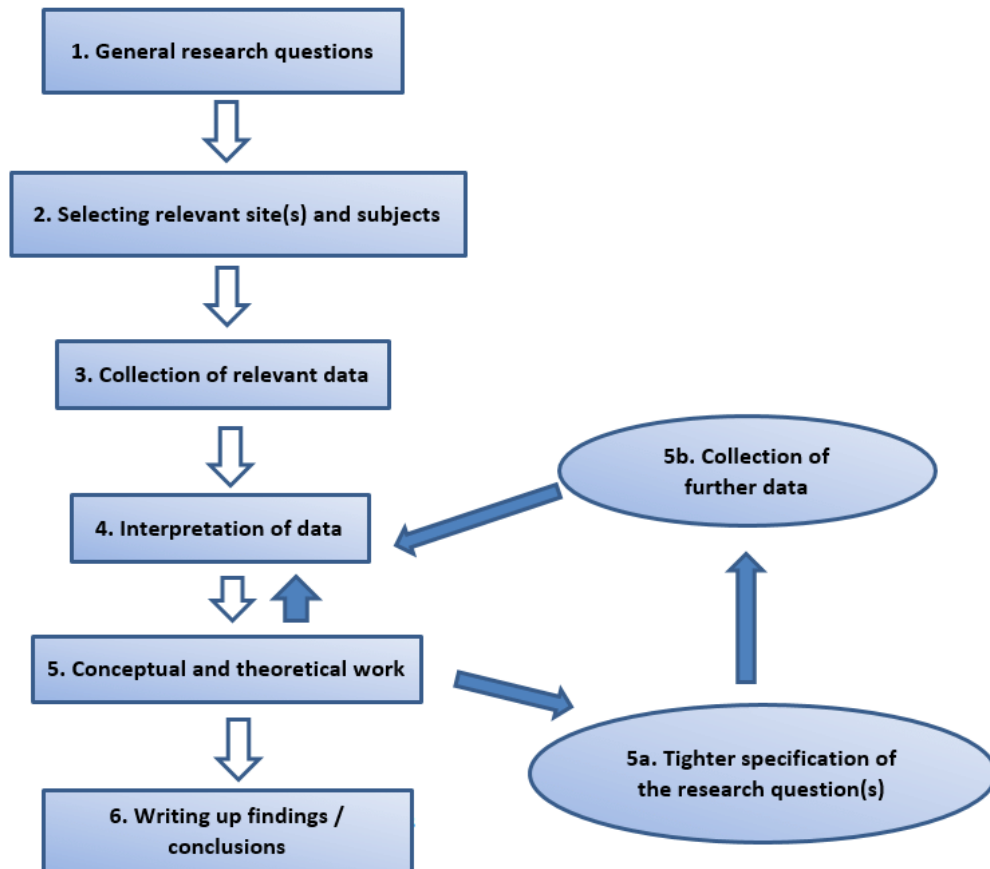
Figure 4: An outline of the main steps of qualitative research. (Bryman, 2001, p. 267)

The researcher gave significant consideration to the concept of "seeing through the eyes of the research participants", when framing the actual questions so as to ensure a detailed response could be given and followed up on as required.

Although some qualitative data will be presented within the research (number of register charities, compliance figures, adoption of SORP), this is not enough data to contribute to answering research questions to achieve the objective of the study.

The researcher has engaged a 'multiple method' approach to gather data. This was realised by:

1) Conducting semi-structured interviews with the participants to allow for discussion to develop should a particular topic of interest arise.
2) The interviews were followed by a focus group that enabled the themes that had manifested to be discussed further in a facilitated session to clarify and challenge the data that had been collected through the individual interviews.

4.6 – Time Horizons

Saunders *et al.* (2009) notes the importance of deciding if the research will be a snapshot of a certain point in time or a representation of events over a period of time. In this instance, the researcher has opted for a 'snapshot' using a 'cross sectional' time horizon. This approach, according to (Saunders *et al.*, 2009, p. 155), will enable the researcher to "describe the incidence of a phenomenon or to explain how factors are related", whereas the longitudinal approach would be appropriate to identify changes or developments within the field of study. Considering the time constraints of the research, a longitudinal research study was not a feasible option.

4.7 – Sample

(Robinson, 2014, p. 26) outlines a four-point approach to qualitative sampling as follows:

1) Define the sample;
2) Decide on sample size;
3) Devise a sample strategy;
4) Source the sample.

	Name	Definition	Key decisional issues
Point 1	Define a sample universe	Establish a sample universe, specifically by way of a set of inclusion and/or exclusion criteria.	Homogeneity vs. heterogeneity, inclusion and exclusion criteria
Point 2	Decide on a sample size	Choose a sample size or sample size range, by taking into account what is ideal *and* what is practical.	Idiographic (small) vs. nomothetic (large)
Point 3	Devise a sample strategy	Select a purposive sampling strategy to specify categories of person to be included in the sample.	Stratified, cell, quota, theoretical strategies
Point 4	Source the sample	Recruit participants from the target population.	Incentives vs. no incentives, snowball sampling varieties, advertising

Figure 5: Robinsons four-point approach to qualitative sampling. (Robinson, 2014, p. 26)

4.7.1 – Define the Sample

The researcher established the criteria for the participants of the study as being individuals who are in, or have been in, a senior management (professional or volunteer) role, consultant role or advocate/regulatory role in the in Irish charity sector in the past five years and have experience in implementing a governance framework.   While a specific educational qualification was not part of the criteria of the sample, all participants were at least educated to degree level. The selection of the five-year criteria was to ensure perspectives were garnered from people who have significant experience in the sector with:

a) Voluntary participation of the Governance Code;
b) The implementation of the main provisions of the Charities Act 2009 (brought into effect on 16th October 2014); and
c) The implementation of a compulsory governance code (November 2018)

4.7.2 – Justification of Sample

There are multiple views in terms of what the sample size for a qualitative research project should be. The researcher selected a sample size of:

- Twelve (12) interview participants; and
- A focus group of seven (7)

The researcher had initially anticipated conducting twelve interviews spread evenly between senior managers, consultants, and advocates/regulators with the aim of achieving a wide enough spread of perspectives to develop themes and points of discussion that could be linked to the literature.

The following table is what interviews were anticipated to happen versus what actually took place.

Professional Role	No. of Interviews	
	Anticipated	Actual
Senior Manager	4	4
Consultant	4	2
Regulator/Advocate	4	3
Total	12	9

Table 3: Research Interview Schedule

The researcher took the view that this was a significant enough sample to uncover a range of opinions without saturating the findings.

The focus group number was derived from the number of people holding the position of Regional Manager (CEO equivalent) in a national charity network of seven individual incorporated charities operating with the same objects and resources.

4.7.3 – Selection of Sampling Strategy

The researcher selected a convenience sampling strategy essentially due to the time constraints and the defined criteria. The participants of the study were invited to participate as they were conveniently available to researcher. There was a total of twelve individuals invited to participate in the study (nine agreed, the researcher was not able to agree a mutually suitable time for two, and one declined).

4.7.4 – Source the Sample

All participants willingly took place in the study without any undue influence. No research participant was a relative of the researcher or an employee of the researcher's organisation. Convenience sampling was used to source all participants and as appropriate levels of participation was reached using this process, no further sampling techniques were required.

4.8 – Pilot Testing

The researcher conducted a pilot interview with a colleague who matched the eligibility criteria. The pilot interview provided a guideline of the duration of the interview and an opportunity to gain a perspective on whether the proposed questions would provide the appropriate data to enable the author to answer the research question.

4.8.1 – Results from Pilot Testing

The questions that were asked as part of the pilot interview did not encourage the depth of response that the researcher was looking to develop.

Following the pilot, the researcher added two questions and reframed five. The questions were reordered to map them specifically to the research objectives which facilitated:

1) A better flowing interview in terms of the moving between objectives;

2) A more detailed response from the participants;

3) Follow up questions being asked by the researcher leading to a more conversational style of interview;

4) The gathering of more detailed data that proved invaluable when creating the focus group discussion topics.

4.9 – Interview Structure & Procedure

The researcher conducted the individual interviews using the questions noted in 'Appendix 4' over a two-week period in July with the focus group scheduled to take place on the third week to give time for the common themes to be extrapolated and questions (Appendix 5) to be formed. Two of the nine interviews were conducted by telephone with the remaining seven happening face to face (five in the participants workplaces, two in quiet coffee shops). The interviews were semi-structured, and the researcher used open ended questions which allowed for follow ups to be asked and a more conversational style to develop. Following each interview, the recordings were transferred to a secure file storage location and deleted from the mobile recording device. The storage of audio files facilitated the transcribing and data collection process.

4.10 – Focus Group

(Collins and Hussey, 2014, p. 142) note that focus groups can be useful by 'generating propositions from the issues that emerge". A focus group with a management team of a large national charity network was engaged "in order to deepen the understanding of the already collected data" and "give insights into the reasons for particular opinions and views" (Kellmereit, 2015, p. 44). In this instance the group was 'pre-existing' and the researcher expected the "social group to bring to the interaction comments about shared experiences

or events" and "generally promote discussion and debate" (Bloor, Frankland, Thomas and Robson, 2001, p. 22). This particular group of managers had recently been through the process of a major organisational restructure with the key focus on governance and a suite of new legislative requirements that they had not had to consider until recently. This focus group assisted the researcher with putting the views of the individual participants regarding regulatory implementation into perspective.

4.11 – Data Analysis

In qualitative data, the researcher is analysing words and not statistics. Words can be interpreted in different ways and so the researcher conducted a process of 'thematic coding' to facilitate searching the data for themes and establishing an analytical matrix. The researcher reduced the data by surmising the results and displayed the data on an Excel sheet to form the matrix to show the relationship between the identified themes.

The final stage of the data analysis drew conclusions from the research which led to the development of findings for discussion, a hybrid theoretical framework and recommendations.

The note taking process during interview stages proved effective in terms of preparing the researcher for the data analysis task as significant work had to be undertaken with transcribing notes and interviews leading to a familiarity with the material. This supported the researcher with identifying the key themes and relating them to the existing literature with relative ease.

4.12 – Ethical Considerations

(Saunders *et al.*, 2009, p. 183) notes that "in the context of research, ethics refers to the appropriateness of your behaviour in relation to the rights of those who become the subject of your work, or are affected by it". The researcher has identified consent and anonymity as the two most significant ethical considerations of this study.

4.12.1 – Consent

In advance of participating in the research project, each participant was provided with the participant information sheet (Appendix 6). This provided each participant with full details of the purpose of the study and how the data collected would be treated. Consent was addressed explicitly at the beginning of each interview and all participants signed the consent form (Appendix 7). All participants were informed that consent could be withdrawn at any time and that they could refuse to answer any question that was presented. Each participant had a right to request a transcript of their interview. No participant exercised this right.

4.12.2 – Anonymity

Each participant of the study has been anonymised and has had any identifying statements or positions within organisations removed. This enabled the participants to speak more freely and give more detailed responses to some topics that could be considered commercially sensitive and protect the integrity of any organisations or boards that may have been discussed.

Chapter 5 – Analysis and Findings

5.1 – Introduction

This section will analyse the key findings and themes that arose during the research study. The participants, while having different educational qualifications (Appendix 2) were all qualified to primary degree level or higher. All participants had current roles within the Irish charity sector but there was a variation of perspective in terms of these roles. The participants of the focus groups were all Regional Managers (CEO equivalent) of seven independent, incorporated, regional charities all of whom have the same charitable objects, level of resources and service level agreement with their funder. To assist the reader and in order to present the findings in a manner that is cohesive, this section will maintain the structure of the interview questionnaires and, for the purposes of accuracy, contain some direct quotations from the participants.

5.2 – Sub Question 1

Examine the nature and extent of the concerns of regulatory implementation in the Irish charity sector.

5.2.1 – Sub Question 1A

Since the concept of the regulation of Charites was introduced, what have been the concerns raised by organisations from within the sector?

The common issues that were raised by the individual participants of the study were:

- Ability of smaller organisations to comply with standards.
- Confusion & fear and of what is actually required of them.
- Level of experience at board level.

- Fear of change to a way of working that may have been ongoing with no issues for some time or ever.
- Financial impact of increased levels of audits.
- Lack of qualified staff to carry out the new functions.
- Implementing a change process for the new ways of working.
- Board moving to oversight rather than operational.
- Increased level of reporting required.
- Ability to recruit trustees/board members.
- Taking resources from day to day work.

Participant 'B' specifically noted how "Volunteers give generously and the political system within organisations gives order to the organisation and there is a fear that this could change that".

Participant 'H' noted the "concern from people about the legalities about being a trustee when they joined 'just to help out'".

Participant 'J' made specific reference to the concerns that charities have regarding this 'regulatory burden' taking resources from day to day services in that "the focus of charities is solving societal problems, governance can be seen as an added challenge" and that there was a real concern over "tick-box regulation".

The focus group agreed with the general themes and noted that their boards are cautious about doing the wrong thing and how a negative public report could affect their personal or professional reputations. It was agreed that in principle boards/trustees need to lead the governance agenda but in reality, the skills around board tables do not enable this to happen and boards get over reliant on the executive management to design and implement processes and procedures to ensure compliance.

5.2.2 – Sub Question 1B

How widely do you think these concerns, or others, shared across the sector?

There was a clear majority of interviewees agreeing that regulation was sought and welcomed by the sector as a way to create confidence and trust with the public but that the concerns, in particular around the burden of regulation were real and shared widely. Concerns relating to recruiting suitably qualified and independent trustees are shared and the level of reporting to CRO, CRA, Revenue and funders was a universally shared concern with a suggestion of a 'Charity Passport' (one report for all) suggested by three participants.

The focus group could agree that their biggest concern is the ability to recruit board members with the appropriate level of expertise and independence. This was further qualified by highlighting the challenge of diversity and that the companies are finding it difficult to ensure diverse membership and in particular, younger board members. These companies have a current added challenge of moving from a locally based to a regionally based organisation and all members of the focus group agreed that individuals were more likely to volunteer as board members for an organisation that directly impacts their communities rather than a bigger 'more detached' organisation.

5.2.3 – Sub Question 1C

Do the themes of the concerns vary based on the size of the organisation? (for example, do the concerns of an organisation with a large turnover, staff team differ from an organisation that is solely voluntary led and managed)

There was a general agreement from the participants that the concerns vary and can be grouped based on the scale of the operations. It was suggested that the larger organisations, whom employ a CEO (or equivalent) should find the process of regulation easier as these organisations would typically be incorporated entities and so would have already experience and processes in

place to report annually to the CRO. The challenges for these organisations are how their local branches are viewed. Are they part of the national charity or are they individual local charities? The organisations suggest that the latter would have significant impact on how reporting needs to be carried out and that this has the potential to add a significant financial burden.

> *Participant 'A' noted that there are further concerns within larger organisations that "there is a danger of staff becoming the experts rather than the boards, and that the boards have serious responsibilities in this area that cannot be delegated".*

The focus group confirmed that from their experience of working with other local charities in their respective areas, the concerns are shared regardless of the size of the organisation. It was noted that organisations that are fully publicly funded rather than relying on membership fees or fundraising, may have higher levels of accountability imposed on them by their funders and in the case of the organisations that the focus group represents, their structures are tightly controlled by their funders giving them less room to manoeuvre or deviate from what would be classed a good approach to governance.

5.2.4 – Sub Question 1D

Have the concerns raised been addressed in recent years or are organisations of the view that there are barriers to compliance that they find difficult to overcome?

It was noted that the CRA had engaged with a consultative process ahead of releasing the new compulsory governance code and the new code has changed the requirements that were in place in the old voluntary code.

> *Participant 'B' stated that the new code is a "diluted" code and was moving towards the "lowest common denominator" when other non-*

profit organisations, who are not technically charities are starting to comply with higher standards.

All participants mentioned the handbooks that are available from the CRA to support trustees and there was significant agreement that the CRA is not likely to take a heavy handed approach to enforcement of the code and will be more likely to enter into further consultation in 2020 as to how support can be provided to organisations to assist with compliance.

It was noted by Participant 'J' that the DCYA was commencing the provision of a 'shared service' for 10 of the smallest youth work charities to assist with their compliance burden and it was suggested that this model of support demonstrated a very pro-active approach on the part of the funder.

The focus group confirmed that none of them had made any submissions to the CRA or other representative organisation during the consultation process and were dealing with regulatory issues as they arose.

5.3 – Sub Question 2

Identify and discuss the factors that lead to the variation in governance practices in charities.

5.3.1 – Sub Question 2A

What in your view are the factors that have led or can lead to governance failures within charity organisations?

While there were differing views in terms of the specifics of what causes governance failures, there was general agreement in terms of the themes of

understanding, board competence, group think and tick-box governance. The lead issues as noted were from:

- *Participant 'A' as a "lack of awareness of the totality of their responsibilities as trustees";*
- *Participant 'B' noted that "internal politics can lead to conflicting views of the charities mission";*
- *Participant 'C' noted that "the emotional attachment of trustees can lead to skewed decision making" and that "policies are being put in place but not implemented, leading to tick-box compliance";*
- *Participant 'F, H & G' noted that the challenge of 'group think' can develop when there is a dominant individual around the board table and this is typically the CEO or Chairperson. Group think develops from boards and trustees not sufficiently questioning the management or having an appropriate oversight system in place;*
- *Participant 'G' noted "mismatch of board skills compared to what is actually required by the organisation at a place in time".*

Three out of the seven focus group members confirmed that they had experienced governance failures in the last fifteen months and cited the following reasons:

- Lack of board members;
- Issues inherited from old companies from before their new companies were formed in 2018 (boards claimed not to have enough information for decision making);
- Gaps in appropriate data management (ICT) systems;
- Ad-hoc arrangements for volunteering (no clearly defined volunteering policy).

Each of these companies is going through a change management process with significant organisational restructuring and the participants of the focus

group were confident that each of the issues are being addressed within their new governance structures.

Once participant of the focus group is experiencing significant difficulty with recruiting board members and as such is finding it difficult to call meetings that are quorate.

5.3.2 – Sub Question 2B

Given the reporting requirements that are now in place, why do you think we still hear stories about governance failures within charities?

It was universally agreed that charities are typically governed by good people who want to do the right thing, a lack of resources results in organisations operating above capacity.

> *Participant 'A' noted that, "charities that will do anything it takes to deliver its service" and "organisations taking unnecessary risks to remain active".*

> *Participant 'E' suggested that a high-profile case, demonstrating what the consequences are for non-compliance with regulations, would assist with sending a message to the sector.*

> *Participant 'F' notes that 'governance is down to people and that an unimplemented code will not provide for appropriate behaviours and that board term limits need to be in place".*

> *Participant 'G' noted the following matrix:*

Badly Intentioned	*Badly Informed*
Well Intentioned	*Well Informed*

He suggested that most failures occur with well-intentioned but badly informed trustees.

Participant 'G' noted the importance of 'board reviews' and that self and external assessments need to be scheduled to measure the effectiveness of the board.

The focus group noted that the lack of resources available to 'stay on top of the work' is challenging and that a lack of understanding of board members of the significance of their governance responsibilities can result in them focusing too much time on operational or service delivery matters rather than taking the 'higher level view'. Four out of the seven focus group members noted that they need to prompt their Chairperson to ensure adequate time is allocated on board agenda for governance and compliance matters.

5.4 – Sub Question 3

Examine if the introduction of charity regulation correlates with the better delivery of organisational services.

5.4.1 – Sub Question 3A

Has the implementation of charities regulation impacted on the delivery of services? Positively or negatively?

All participants agreed that there is no evidence to suggest that the implementation of charities regulation has significantly impacted on the delivery of services but that it has the potential to do so.

Participant 'A' suggests that "organisations still seem to be providing the services they are set up to do and see the governance as an add

on requirement and it's not clear how many are taking the governance requirements seriously".

Participant 'E' stated that he believed "there is very little research worldwide that links good governance to better organisational performance within charities".

There was a shared view that, while during the initial implementation phase, the governance agenda has the potential to refocus resources within organisations, the long-term benefits should be seen in terms of having better managed, leaner organisations.

Participant 'H' stated that "well run organisations will shine as their level of activities will be high and that organisations need to have governance processes to suit themselves and do not have to do anything that is overly complicated compared to the scale of the operation they are running".

The focus group agreed that there was no substantial impact on their services but that a failure has the potential to cause significant damage as the entire brand depends on public confidence. All members of the focus group agreed that the current governance agenda is taking up to 80% of their time but this is because they all find themselves in an organisational change process and they maintain that this level of time will reduce significantly over the next twelve to eighteen months and that overall will result in the organisation being able to direct more resources to front line services.

5.4.2 – Sub Question 3B

How can charities create a balance with ensuring their regulatory responsibilities are met but that a compliance agenda does not take away from front line services?

The cost of compliance with the various regulatory obligations and the acceptance that this needs to be understood as a permanent business cost was a common discussion.

Participant 'C' noted that the "governance obligations should be seen as an enabler and having appropriate policies and procedures in place lays the foundations for quality service".

Participant 'E' suggests that "all funding applications or project proposals should have a section to outline the 'overhead' or 'governance' cost and this should be considered the when granting funding for a project".

Outside of the cost implications, participants 'F & J' mentioned that board agendas need to be constructed in a way that facilitates a balance of time for compliance and mission discussion. Both note how easy is it for either side of the business to take over from the other and that the Chairperson needs to be strict in not allowing that to happen.

Participant 'J' further suggests the creation of a "traffic light compliance calendar" so board members can have an understanding of when specific reports and reviews (of policies) need to be happen, and question if they don't.

The focus group noted that one of the seven participants has a compliance calendar. While this was considered to be "very organised" it was noted this particular company is heavily dependent on the manager to coordinate this calendar. Two of the seven participants use their annual work plan as a hybrid compliance calendar and four of seven participants deal with issues as the arise but do intend, as the change management programme moves on, to develop a more formal reporting calendar. All of the organisations from the focus group have reporting deadlines given by the funder that need to be strictly adhered to for funding reasons.

5.5 – Sub Question 4

***Can a theoretical framework be defined to state what the optimum model
of governance is for charities?***

5.5.1 – Sub Question 4A

*Is it important that organisations strike a balance of independence, expertise
and connections to the mission of the charity with the board members? And
if so, how difficult is it to achieve this balance?*

There was unanimous agreement that board members need to have a mission
connection to the charity and that board members should not consider
volunteering if they do not have a belief in the values, mission or aim of the
charity. All participants also agreed that having independent expertise on the
board was important.

> *Participant 'A' noted that "trustees, who are internal to the charity, can
> feel nervous about lots of 'outsiders' coming in to run the charity".*

> *Participant 'B' highlighted the importance of operating a 'nominations
> committee' and that their role should be about ensuring diversity on
> board and that "a range of people with various competencies are
> recruited".*

> *Participant 'F' noted the "importance of understanding that charities are
> based on groups of people with common beliefs coming together to
> solve problems, so it was extremely important that when recruiting
> externals that they have a link to the mission and values".*

The focus group discussed the reality of the challenges around board balance
and it was found that:

- Six of seven participants state they have an appropriate balance of independence, expertise and mission connection.
- Three of seven participants have a succession plan.
- Four of seven participants have a skills matrix for identifying gaps on their boards.
- Two find it easy to recruit board members, two find it challenging and three find it difficult.

5.5.2 – Sub Question 4B

What do you think the level of independence of boards should be from the operations of the organisation?

Overall there was an agreement with the principle that boards needs to act in an oversight capacity and not interfere with the day to day operations of the company, but some participants of the study were more animated about this than others. This stemmed from experiences that they had gone through where boards were acting in an executive manner and the lines between what was oversight and what was executive were blurred leading to very serious conflict. Five of the nine individual study participants used the phrase "boards should be noses in, fingers out", meaning that they should know and understand what is being done in their names but that that day to day responsibility is delegated to the manager.

> *Participant 'G' noted that smaller organisations can face challenges in this way as they may not have a staff or it's a small committee doing the work but that this can be counteracted by having a segregation of duties e.g. the person writing cheques, is not the person checking the accounts, and this can provide appropriate oversight at that level.*

The focus group participants noted that six out of seven of their boards could be classed as fully oversight and have established board committees to work with the management on the various areas of the business. One of the boards

is more operational, particularly around financial matters, and this is leading to micro management and trust issues with lack of adequate oversight, and blurred boundaries between the oversight and executive.

5.5.3 – Sub Question 4C

What is the one single thing a board can resolve to do, to ensure it is promoting the highest governance standards for the organisation?

Participant	Suggestion from Individual Participants
A	Resolve to adopt the CRA code and put in place procedures for ensuring full compliance.
B	Behave properly. If there are poor governance standards within the board, it is impossible to expect good behaviour within the organisation. A good governance system is about structures, processes, policies and the behaviour of individuals.
C	Be compliant with the governance code.
D	Communicate openly with all. Tell as much as possible.
E	Ensure it has the appropriate culture, ethics and values.
F	Implement a board evaluation process. Need to ensure a culture of openness and communications so boards can discuss what they are doing well and what can be improved.
G	Charities should not wait to be asked questions, they should provide all the information that the public is interested it in.
H	Understand their governing document. Know the rules and stick to them.
J	Ensure that the board composition is good. The right people with a skill mix to develop a culture of openness and transparency.

Table 4: Suggested board actions to promote good governance.

The participants of the focus group stated that all their boards had resolved to be compliant with the voluntary (now compulsory) charity governance code but the reality is some boards are struggling to comply with basic levels of governance.

- One of the seven participants claimed promoting highest standards.
- Six of the seven participants claimed compliance with basic standards.
- One board is struggling to be quorate at meetings.

5.5.4 – Sub Question 4D

What are the top four traits that the public expects charities to demonstrate?

The traits that were suggested by individual participants of the study are:

Rank	Trait
1	Transparency
2	Accountability
3	Avoidance of mission drift (do what the organisation claims to do)
4	Financial Probity
5	Openness
6	Integrity
7	Efficiency
8	Honesty
9	Trust

Table 5: Publicly expected traits for board (ranked by importance).

The traits agreed by the focus group, in no particular order of importance, were:

- Transparent - Publishing annual report & Accounts.
- Probity - Demonstrably doing the right thing.
- Accountable - to its funders (the state).
- Openness - with its communication with stakeholders, reports, signage, complaints policies, accessibility, answering questions before they are asked.

The discussion regarding these behaviours led to a common theme of regulation providing the public with confidence to trust the sector.

> *Participant 'G' noted that "Trust is a quality that is present or not. People don't half trust organisations. Trust is earned by being open, not hiding something, not having a hidden agenda and answering questions before they are asked. Even the term 'charity trustee' is all about trust".*

5.6 – Summary of Findings

Overall the research is showing a willingness and acceptance of a new regulatory environment that charities are operating in. There is no indication that organisations do not want to comply or operate to the highest governance standards but there are clearly challenges facing the sector in this regard.

Organisations facing challenges need to be resourced and supported to work through them so the sector can ensure it has the trust of the public.

It was noted during the interviews the Irish Government makes a €4.5 million investment in the CRA on an annual basis to carry out its work but there has been not corollary investment in the organisations within the sector to assist with compliance with the new obligations. Work has had to be undertaken from existing resources.

There was a general agreement that well-run organisations will be healthier entities leading to better services for the end user. The individuals that took part in the interview and focus group demonstrated a clear connection to their own organisational work and the concept of well-run charities providing services within their communities.

Chapter 6 – Discussion

6.1 – Introduction

This study has provided data from senior practitioners within the Irish charity sector that raise concerns and challenges with the implementation of charity regulation. In this section the researcher will re-contextualise the results of the research and consider it against the information contained in the literature review. The data gathered has identified the discussion topics of regulatory implementation, variations in governance practice, organisational performance and theoretical framework.

6.2 – Regulatory Implementation

The findings from the research indicated that there is a broad welcome and acceptance of the need for the regulation of charities to be implemented to encourage public confidence within the sector. It was further noted through the individual interviews that the sector sought the implementation of regulation for this reason. The fact that the CRA (2018b) has noted that, at the end of 2017, there had been a reduction by 56% from 2016 of charities in non-compliance with the Charities Act, supports this assertion. The findings indicate that the practical challenges facing organisations centre around the regulatory burden, financial and administrative. This view supports (Neely, 2011, p. 122) *"The increase in accounting fees [for charities] is economically significant"* and that most charities would rather direct their resources to front line services, "a cost they would rather do without, and spend that money, instead, on programmes".

While financial and resource challenges are very practical, and what can be delivered as a service is largely dependent on the 'bottom line', the behavioural challenges faced by organisations as they move to new governance models are just as important and can often take considerable time to implement. The

researcher has identified challenges at board/trustee level that pose a serious challenge to the implementation of good governance practices. None of the challenges point to an unwillingness to comply with the requirements of regulation but more to the ability of the individuals or the organisation to recruit suitable trustees.

The fear of change or moving from an operational role to one of oversight has been raised as an issue. Organisations that work with boards or trustees that get too involved in the day to day matters of the business risk blurring the lines of who is responsible for what. Further to this, it can lead to conflict with the executive and a breakdown of trust. The role of boards in setting the strategic direction of the organisation and holding the management to account for the delivery of the objectives was a clear challenge that had been identified and it was agreed that organisations need to step towards this model of governance. This finding compliments (Ingley and Walt, 2001, p. 175) suggestion of the importance of board members "setting the strategic course for the organisation" while also "periodically reviewing the mission, values and aim of the organisation". Harris *et al.* (2017) while discussing the 'tone at the top' make specific reference to boards setting appropriate controls and accountability practices.

The reporting concerns raised through the process of data collection were in the context of the amount of similar reports that need to be provided to multiple agencies and the administrative burden that this puts on the organisations. A. McDonnell (2017b) had noted the concerns that an ever-increasing 'compliance burden', that was viewed as 'tick- box compliance' would distract from the forward-looking orientation on achieving strategic objectives. The concept of a 'charity passport' was raised during the interviews and the sense of value regarding a single point of reporting, to reduce the administrative overhead, was evident. In particular, charities are noting identical filing required with CRO/CRA/RBO and are developing a view that this should be done through a single portal, once.

6.3 – Variations in Governance Practice

The variations in governance practice identified by the researcher during the study pointed more to behaviours rather than systemic practices. The behaviours stem from the leadership of the organisation and the 'tone' that is set by them. Third Sector Company (2019) describes how good leadership can achieve growth and sustain the engagement of people to accomplish something extraordinary together. Internal politics was a common challenge leading to variations in governance practice where conflicting views of the organisations mission or conflicting personal agendas of trustees can lead to poor decision making. This is evident on boards that are made up of representatives of specific parts of organisations. This can enable board members to act in a parochial way and does not necessarily encourage boards to act jointly in the organisations interest or with collegial responsibility.

The researcher identified serious concerns regarding 'group think'. This phenomenon occurs when a dominant individual, typically the CEO or Chairperson, becomes the controlling voice of the organisation and the board culture does not encourage or facilitate an appropriate level of questioning or oversight. Consideration needs to be given regarding the risks of operating a stewardship theory model of governance as described by Coule (2015). Boards need to ensure that the partnership that is created between the executive and the oversight does not lead to over familiarity, complacency, or reduce board churn (needs to be term limits) and that the agreed skills matrix is implemented to ensure the most suitable board members are recruited.

There is general agreement that a standard model of financial reporting is required within the sector. All members of the focus group had implemented SORP within their organisations and were of the view that it provided an excellent approach to transparency and accountability by enabling them to provide a detailed narrative regarding the operations of their organisations and in particular how their financial affairs are accounted for. While all of the focus group have implemented SORP in their organisations, only 562 incorporated charities elect to implement it.

There was universal agreement that the level of awareness of the obligations of charity trustees needs to raise and that they need to understand the totality of their obligations. There was a shared view that lots of people become involved with charities because they have a congruency with the mission and aims and they just want to help out. There was a view that the representative organisations and CRA need to do more in the area of awareness and training to support organisations with the governance agenda.

6.4 – Organisational Performance

The formal regulation of charities in Ireland is a relatively recent phenomenon, CRA registration commenced in 2016, and before that the only governance codes in operation were voluntary (since 2012). There is no evidence to point to enhanced delivery of services through better organisational performance because of the implementation of this formal charity regulation. The researcher noted a shared view from the participants of the study that better governance practices within organisations will lead to leaner organisations who are better able to direct their resources to front line services. The issue of the lack of ICT systems was raised during the study and it was agreed that these (ICT) tools need to be integrated into the day to day business of the sector to support the work. This contention is supported by (Duffy, 2018, p. 11) who states that "technology is not just a business enabler anymore, but at heart of organisational capacity and capability".

The concept of charities reporting on their work and in particular their impact is becoming more widely accepted and this, according to the research data, is leading to a more 'business like' approach being required. Funders, government and private, are requiring charities to clearly demonstrate the public benefit they are providing and how they are ensuring value for money. The performance reporting is linked with the transparency theme as noted by Dunne (2013) who commented on the importance of transparency with charity operations. A. McDonnell (2017a) further notes the "increasing calls for a non-

financial, performance narrative". The focus group highlighted the use of annual action plans for demonstrating to funders how charitable activities are planned and actioned throughout a reporting cycle and how the key performance indicators will highlight the achievements of the organisation within a specific time period.

It is noted in the stewardship model of governance that the role of the board is to improve performance by adding value to the top of the organisation with decision making and working in partnership with the management. There was agreement that this concept was important, and that a board should have appropriately qualified people within its membership that can contribute at this level. It was also agreed that this concept was not about 'getting rid' of people who would have volunteered heretofore as these are important contributors in terms of aim, mission and values of the organisation.

6.5 – Theoretical Framework

Cornforth (2005) writing about the changing context of governance suggested that a hybrid model of governance for charities may need to be developed given their organisational complexity. The complexities that they face in terms of:

- Multiple funders – Public funding (state) and private (donors).
- Voluntary Boards/Trustees – Oversight/operational, appropriate skills, mission link.
- Limited resources – Financial & Human.
- Teams – Professional & volunteer working together (how to deliver & manage quality).
- State service – lots of charities work to compliment or fill the gaps of state services.
- Regulation – by multiple entities (CRO, CRA, Revenue, HSE).

The researcher agrees that a hybrid model of governance should be developed and suggests that is should take traits from:

- Agency Theory;
- Stewardship Theory; and
- Stakeholder Theory;

to form a suggested model of governance for charitable organisation.

In this new model of governance, the researcher is suggesting that compliance, partnership and stakeholder engagement are the three pillars of organisational management.

The researcher is suggesting that:

- Owners' and managers have different interests: Owners are interested in overseeing the operations and ensuring that those who have operational authority are held accountable for their work.

- 'Owners' and managers share interests: There is a common understanding of the mission and strategy of the charity and all are in agreement as to what that is. This will assist with avoiding 'mission drift'.

- Stakeholders have different interests: Service users, members, and funders interests need to be tended to by ensuring there is appropriate engagement and reporting within the organisation. A large membership organisation will have a much higher level of engagement with their members and its membership will demand an 'ownership' of the work of the organisation.

This hybrid model will satisfy:

Conformance:

- Safeguard 'Owners' interests.
- Oversee Management.
- Check Compliance.

Improve performance:

- Add value to top decisions/strategy.
- Partner/support management.

Political:

- Balancing stakeholder needs.
- Make Policy.
- Provide adequate control over the executive.

The researcher found that a common theme from the interviews was the need to have a balanced board that had independent expertise but that each board member must have a connection to the mission and values of the charity. There was universal agreement that individuals who do not have a connection to the mission and values should not be on the board. The suggestion of boards having autonomy to recruit or co-opt individuals to their membership was common and that recruitment of board members should be based on an agreed competency and skills matrix to ensure that an appropriate balance is achieved.

6.6 – Summary of Findings

Charities are typically organisations that were founded by a person or a group of people who have identified a gap in the social or state services within their communities and they are trying to fill this gap. From the data gathered, the researcher has identified that there are concerns on a number of fronts from individuals from within the sector. The concerns can be categorised into two over-arching themes:

1) Ability to comply.
2) Ability to change.

The compliance theme considers issues such as resources (financial, human and systems), while the change theme is essentially about the changing roles of boards and trustees, behaviours and the reassurance that charities are not going to be transformed into top-heavy bureaucratic entities. Charities, by their very nature, are responsive organisations that want to do whatever they can to realise their mission.

The acceptance and welcoming of formal regulation from within the sector is evident in the research data and demonstrates a sector that wants to do what is right and support the building of public confidence. The sector understands that a breakdown in confidence has the potential to lead to very damaging effects and what this translates to, is a reduction in state funding and public generosity. MaGuire (2019) states that, in Ireland, the annual turnover of charities is €14 billion. Approximately €7 billion is provided through state funding with the remainder being raised and earned by the organisations themselves. This resource is overseen and under the control of 50,000 voluntary directors/trustees. Damage to public confidence in the management of this sector could have catastrophic consequences.

Chapter 7 – Conclusion

This research was an exploratory study to understand the challenges encountered by Irish charity organisations with implementing good governance standards. From the beginning of this report, the researcher noted the positions of trust that charities hold in society and how the general public expects charities to demonstrate the highest levels of governance while delivering their services. The public insists that the money that is provided through both central government and private donations, is used with financial probity and to further the aims of the charity.

This thesis aimed to gain an understanding of what the challenges are for charities who are aiming to be compliant with their regulatory obligations and to identify possible solutions to these challenges. The regulatory burden was noted a number of times during the research study and will be an ongoing challenge into the future for organisations to overcome.

Given the complexity of the sector and the difference in the scale of some of the charitable operations, it is difficult to make generic recommendations that are suitable for all organisations to support meeting the governance requirements. The below however, based on the research date gathered, go some way to considering how initial steps can be taken to address concerns and challenges.

7.1 – Recommendation 1

Boards/governing committees to adopt the Governance Code.
(Individual Organisational Control)

Each governing body needs to formally adopt the governance code and develop a plan that will guide them through the journey to compliance. This resolution needs to feature on the agenda of all board/trustee meetings to

ensure that organisations are monitoring their agreed plan so they will be reporting to the CRA on compliance levels by 2021.

7.2 – Recommendation 2

Charities to clearly state their mission and public benefit. *(Individual Organisational Control)*

Charity boards/trustees need to reflect on their objects and aim and ensure that:

a) they are still relevant to today's society and;
b) that they are actually doing what they say they are and avoiding 'mission drift'

7.3 – Recommendation 3

Streamlined reporting for charities. *(State supported)*

Organisations are raising the issue of the administrative burden regarding annual reporting. It is recommended that a single system of reporting for charities be introduced and that covers all aspects of the regulatory filings and returns required from the state. Organisations will find it difficult to introduce leaner structures if they have to continue replicating the same work.

7.4 – Recommendation 4

Online training/licencing for directors/trustees. *(State supported)*

The skills and qualifications of directors/trustees were a big concern coming from the data collection and the fact that lots of individuals did not understand the extent of their responsibilities. The researcher is recommending that an online training and licencing portal is developed so, those who are being generous with their time and volunteering to become directors/trustees, can undergo a training module and get 'licenced' to become a trustee. This would ensure that those taking on the responsibility would fully understand their role on the governing body.

7.5 – Recommendation 5

State funded shared services for charities. *(State supported)*

Charities are describing an increased financial burden as they move to comply with regulation. The researcher is recommending the establishment of a central shared services agency, from which charities could 'draw-down' expertise in matters relating to governing the organisation. A shared service facility could be considered an extension of the CRA or LGMA without having to create a new state entity.

It is clear from the desktop research and data gathered through the study, that the Irish 'third sector' is strong and holds a central place in society. The individuals that hold the responsibility of maintaining this trust, have a significant responsibility to ensure that the organisations, that fill so many gaps in social services, operate the highest standards of governance to provide reassurance to the public that their generous support is managed appropriately.

Chapter 8 – Limitations

The potential limitations of this study that the researcher has identified are:

8.1 – Lack of Previous Research

There is a significant amount of research on the topic of corporate governance in for-profit entities and financial reporting in charities, but the concept of charities regulation is a relatively new phenomenon thus is was challenging to acquire significant level of journals. To offset this limitation, the researcher personally contacted a number of academics from other institutions and consultant authors from within the sector to request copies of their studies and work, which they generously provided.

8.2 – The Global View Taken of Irish Charities

For this study they researcher took a global view of the Irish charity and non-profit sector. This could be further narrowed to the specific specialities from within the sector (Early Years, Youth Affairs, Justice, Health, etc.) in order to obtain a more defined set of challenges being faced by 'sub sections' of the third sector. The researcher presented the findings as global challenges and used a broader sample of interviewees to gather data from rather than relying on one sub-section.

8.3 – Time Constraints

As the researcher was conducting the interviews and focus group during 'peak summer time', it was more difficult than anticipated to schedule the interviews. The researcher was flexible with attending meetings and offered to travel to the interviewee's choice of location at a mutually convenient time. The researcher had aimed to conduct twelve interviews but failed to find a mutually

agreeable time for two participants and one declined to participate. Some of the venues were not ideal for a study of this nature and background noise was a distracting issue for two interviews in particular.

8.4 – Personal Bias

The personal bias of the researcher was a concern throughout this study due to his involvement with governance projects in his two most recent employments at senior level. Particular consideration was given by the researcher to ensure that issues that he had faced with serious governance failures did not steer the research in a particular direction.

8.5 – Focus Group

The focus group consisted of seven individuals whom had been Regional Manager (CEO equivalent) for less than two years. While each Regional Manager has extensive experience elsewhere working at senior level in charitable organisations, their experience in their current role was limited. Each of the Regional Managers was leading a major governance restructure of their respective organisations, so their lack of time in the role was offset with their real-time experience of governance challenges facing their organisations in a restructure.

While the researcher addressed the possible impact of the limitations, he would recommend that any future research should consider these limitations and in particular limitation 1 and 2.

Chapter 9 – Recommendations for Further Study

Given that the formal regulation of charities and non-profits in Ireland is such a recent phenomenon, in the coming years there will be a significant requirement for evidence based research on whether the impact of this regulation has been translated into organisational benefits in terms of enhanced capability and service provision for the end user of the services.

It would be useful for the sector, with a turnover of over €14 billion develop a value for money report. Organisations that fill the gaps of the social services of the state on a daily basis should be able to clearly demonstrate their financial value to the state.

The 'regulatory burden' or 'cost of compliance' were common topics mentioned during the interview stages of this research and this cost is challenged by the CRA. Organisations claiming that these costs exist and are impacting their work need to conduct some detailed research and demonstrate the actual cost that they have incurred with becoming compliant with regulation.

It is clear from this research that funders (public and private) are demanding a higher level of reporting on charitable activities. The development of an impact study for these activities would be useful to gather demonstrable evidence for the work that is being done to fill the gaps of state services.

The sector is busy doing the work that its organisations do, to keep the services they run open. The sector will be depending on academic organisations, supported by advocacy networks to develop future studies. It is unlikely that individual organisations will be able to conduct this research unaided.

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Appendices

Appendix 1 – Charity Statistics Infographic

2018 Highlights

9,799 Charities on the **Register of Charities** at the end of **2018**

1,321 organisations gained **charitable status**

579 charities had their details **removed** from the **Register of Charities**

Net Increase of **742** in **number of charities** from previous year on the Register of Charities

2 Inspection Reports **published**

686 concerns received **UP 29%** on 2017

32% of concerns related to **governance issues**
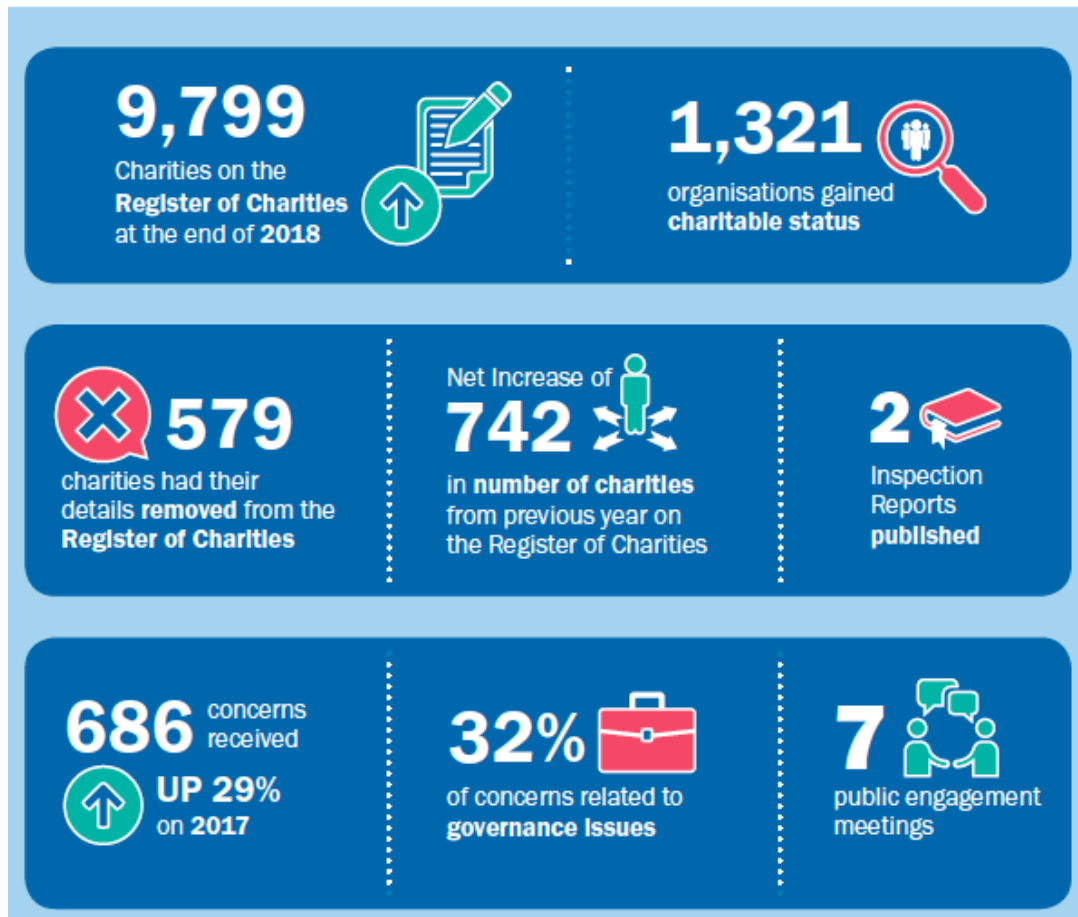
7 public engagement meetings

Figure 6: CRA 2018 Annual Report Statistics

Appendix 2 – Research Participants

One to One Interviews

Participant Ref:	Gender	Highest Education Qualification	Current/Most Recent Role
A	M	Primary degree and & various Postgraduate Diplomas	Freelance mentor & advisor to multiple charities.
B	M	Honours Degree, 2 post Grad, Diploma in Corporate Governance, Chartered Director	Chairman of a Voluntary Hospital.
C	F	Master's in Regional Urban Planning	Senior Manager Communications & Information of a National Charity.
D	M	Master's in Voluntary & Community Sector Management	HR & Volunteer Manager of a National Charity.
E	M	Chartered Accountant/MBA	Governance Author, CEO Governance Consultancy.
F	M	Master's in Law & Master's in Applied Social Studies	Deputy Director of a National Charity.
G	M	MBA	Director of Advocacy of a National Charity.
H	M	MSc & MBA	CEO – State Regulator
J	M	Bachelor of Arts & Advanced Diploma	CEO of a National Charity

Focus Group – Senior Management Group from a National Non-Profit Network

Participant Ref:	Gender	Years in Current Role	Current Role
A	M	1.5	Regional Manager
B	M	1	Regional Manager
C	F	5	Regional Manager
D	F	1	Regional Manager
E	F	1.5	Regional Manager
F	F	7	Regional Manager
G	F	12	Regional Manager

Appendix 3 – Pilot Interview Questions

1. What are the major concerns you see regarding the formal regulation of Charities in Ireland?

2. How widely do you think these concerns, or others, shared across the sector?

3. How has the lack of regulation within the charity sector until recent times led to the development of 'questionable practices' within organisations?

4. Given the reporting requirements that are now in place, what do you perceive as the factors that continue to lead to the variation from the expected level of good governance?

5. What has been the difference to the delivery of services by the Charities since the introduction of formal regulation?

6. How can charities balance their regulatory responsibilities while ensuring their services are delivered in a consistent way?

7. What is standing in the way of charities meeting their full governance responsibilities?

8. What are the top four traits that the public expects charities to demonstrate?

Appendix 4 – Final Interview Questions

1. **Examine the nature and extent of the concerns of regulatory implementation in the Irish charity sector.**

    1.1. Since the concept of the regulation of Charites was introduced, what have been the concerns raised by organisations from within the sector?

    1.2. How widely do you think these concerns, or others, shared across the sector?

    1.3. Do the themes of the concerns vary based on the size of the organisation (for example, do the concerns of an organisation with a large turnover, staff team differ from an organisation that is solely voluntary led and managed)

    1.4. Have the concerns raised been addressed in recent years or are organisations of the view that there are barriers to compliance that they find difficult to overcome?

2. **Identify and discuss the factors that lead to the variation in governance practices in charities.**

    2.1. What in your view are the factors that have led or can lead to governance failures within charity organisations?

    2.2. Given the reporting requirements that are now in place, why do you think we still hear stories about governance failures within charities?

3. **Examine if the introduction of charity regulation correlates with the better delivery of organisational services.**

    3.1. Has the implementation of charities regulation impacted on the delivery of services? Positively or negatively?

    3.2. How can charities create a balance with ensuring their regulatory responsibilities are met but that a compliance agenda does not take away from front line services?

4. **Can a theoretical framework be defined to state what the optimum model of governance is for charities?**

   4.1. Is it important that organisations strike a balance of independence, expertise and connections to the mission of the charity with the board members? And if so, how difficult is it to achieve this balance?

   4.2. What do you think the level of independence of boards should be from the operations of the organisation?

   4.3. What is the one single thing a board can resolve to do, to ensure it is promoting the highest governance standards for the organisation?

   4.4. What are the top four traits that the public expects charities to demonstrate?

Appendix 5 – Focus Group Slides

Thesis Title: *An exploratory study to understand the challenges encountered by Irish charitable organisations with implementing good governance standards.*

Date: 31st July 2019
Venue: Mullingar Citizens Information Centre
Time: 10:00 – 12:00

Objectives:

- Discuss key themes developing from previously conducted one to one interviews discussing the above thesis.
- Assess if the themes and issues that have been raised are a reality in these identically governed charities.
- Assess if any challenges have not been identified or overstated from the focus groups point of view.

Sectoral Concerns of Charity Regulation

- Ability of smaller organisations to comply with standards.
- Confusion & Fear.
- Level of experience at Board level.
- Fear of change.
- Financial impact.
- Lack of qualified staff.
- Change to way of working.
- Board moving to oversight rather than operational.
- Level of reporting required.
- Ability to recruit trustees/board members.
- Taking resources from day-to-day work.

Is it a challenge or a problem for you?

Is there an agreement from the focus group (7 identically governed Charites of what their 3 biggest issues are?

Is there any difference to the challenges experienced pre-regionalisation?

Do the organisations you work with in your localities experience challenges or problems with compliance?

Have you or your Boards (current or previous), made any submissions to the CRA or other representative body (The Wheel etc.) regarding the regulatory burden being placed on charities?

Have you experienced a governance failure?

- What were the reasons?

Are there any current gaps in your companies that may lead to a governance failure? Are your board addressing them?

Given your reporting requirements:

- CRO, CRA, Funder

Why would there still be a failure?

Has the delivery of your service been impacted positively or negatively because of the 'Governance Agenda'?

What does your Board do to strike a balance between the governance/compliance agenda and ensuring that Service Delivery is allocated an appropriate amount of discussion time?

Do you think your board has an appropriate balance of independence, expertise and mission connection?

- Do you have a succession plan?

- Have you developed a skills matrix?

- Do you find it difficult to recruit trustees/board members?

Does your board operate independent of the operational management of the organisation?

- Yes? Challenges/Issues - No? Challenges/Issues

Has your board put in place any procedures or initiatives to ensure it is promoting the highest standards of governance?

List the top four traits your boards exhibit that would demonstrate to the public that the organsation is well governed.

Appendix 6 – Participants Information Sheet

A research proposal to study the challenges of implementing good governance standards in Irish charities.

Researcher: Noel O'Connor

College: National College of Ireland

Course: MSc. in Management (Level 9 QQI)

Rationale

There is a significant amount of research and theory available in the area of governance and regulation for commercial entities, but this is a relatively new topic in terms of charities, not for profits or the 'third sector'. This research will consider some of the key themes emerging as a result of enhanced regulation, the factors leading to variations in governance practices and if the introduction of formal regulation has led to the better delivery of services.

The Questions

The research will explore the challenges of implementing good governance standards in Irish Charities by addressing the following sub-questions:

Q1:   Examine the nature and extent of the concerns of regulatory implementation in the Irish charity sector.

Q2:   Identify and discuss the factors that lead to the variation in governance practices in charities.

Q3:   Examine if the introduction of charity regulation corelates with the better delivery of organisational services.

Q4:   Can a theoretical framework be defined to state what the optimum model of governance is for charities?

Aim

To provide an evidence-based framework that can be used to support addressing the concerns and challenges that are leading to challenges of implementing good governance standards in Irish charities.

Ethical Considerations

Target Group and Methodology

Individuals who are in, or have been in, a senior management (professional or volunteer) or consultant position in the Irish charity sector in the past five years and have experience in implementing a governance framework.

The methodology employed will be semi-structured interviews.

Confidentiality and Anonymity

All participants will be anonymised, and any personal information will remain confidential. Any information pertaining to organisations or places of work will also be anonymised. The following information from each respondent will be recorded.

- Gender
- Highest educational qualification obtained
- Current position/most recent position in the Irish charity sector.

Protocol

The following protocols pertain to all participants:

- You do not have to answer any questions that you do not want to.
- You can choose to leave whenever you want.
- You can terminate the observation at any time.
- You can retract your statement at any time.

Non-Coercion / Inducement

No coercion or inducement will be applied to promote participation. Participation is voluntary.

Time commitment

The duration of the interview will be approximately 45 minutes.

Audio recording

The interviews will be recorded on audio files and then transcribed. The audio files will be deleted once the transcription is completed. The transcriptions are required to be held until the results of the research have been finalised.

Appendix 7 – Consent Form

- This research is approved by the National College of Ireland.

- I have been informed of the purpose of my participation in this study and the length of time of required for the interview.

- I understand that I can refuse to answer any question and can withdraw from the interview at any stage.

- I understand that the interview is to be recorded, but will not be shared with any 3rd parties, kept in secured place and will be permanently deleted once the research is completed.

- I understand that I can contact the researcher within two weeks of the interview to obtain a transcript of the interview.

- I understand that I can redact, remove or alter comments from the transcript within one week from receiving a transcript by email.

- I have read and fully understand the purpose of this research and consent to participant.

Please sign below:

Consent

I CONSENT/AGREE to participate in this research project:

Signed: _____

Print Name: _____

Date: _____