**RESPONSIBILITY, TRUST AND ACCOUNTABILITY
INTEGRATING A CULTURE OF BUSINESS
SOME PRELIMINARY THOUGHTS**
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1 ACCOUNTABILITY

1.1 Responsibility

Accountability is a much heard term applied to organizations and individuals. Not used as much in its original meaning is the term 'responsibility', a meaning tied to:

- Moral and legal issues.
- Leadership (emphasizing values, providing guidance and a process supportive of developing solutions).
- Passion.
- Trustworthiness
- Being responsible for oneself and taking responsibility. Being able to choose for oneself between right or wrong.

It appears that responsibility is more and more taken to mean accounting - assessing what has taken place and how to report it. Numbers are the key, whether they be quotas, measurable process outcomes, or financial measures. Complexity is out. Simplicity predominant.

Responsibility, in the sense of honour and obligation, goes beyond accountability. It is more than the narrow concept of accounting for the measurable outcome. It is still important to track results and understand the accounting, but managing to the numbers (or worse – managing the numbers themselves) misses the mark and is short-sighted.

Responsibility has to do with integrity, a personal obligation reflecting personal values and standards (based on those underpinning the society or group within which we live and function). It goes beyond motivation based on the fear of getting caught or sanctioned.

In place of trust, accounting or accountant approaches to accountability arise. In place of responsibility comes simplicity where none exists.

1.2   Complexity

Complex problems require individuals, groups and organizations to be responsible, to share responsibility.

Complex problems in a diverse society, group or organization often arise out of the competing values of stakeholders. Complex problems create competing demands and multiple accountabilities. As a trustee or staff leader, one has potential conflicts to resolve related to being accountable to funders, clients, employees, volunteers and other stakeholders. Choices have consequences. Understanding core responsibilities and living one's own responsibilities are key to resolving dilemmas and taking responsibility for actions and outcomes – being accountable in a broader sense. This is being 'responsible'.

Accounting in the accountant's sense is of little help to solving complex problems. It is not just an issue of cost and numbers. It is more than efficiency (although implementation should be tied to efficiency and effectiveness balanced with quality). Choices are related to values and moral fibre – being responsible, being a leader.

Consider this simple example. A charity operates an after-school program for children in a low-income neighbourhood. How should it set the price for the service? If it sets a relatively high price, the quality of the program may be improved and more children can potentially be helped, however, those most in need of the service may no longer be able to afford to attend. If the price is set relatively low, attendance may increase, but quality or long-term sustainability may suffer, and the organization doesn't do anyone good if the standards fall or it goes out of business. Accounting doesn't offer any solution to this tricky problem – judgement does.

Another common conundrum for charities is the following: Two candidates are being considered for a key management role. One is less experienced but will work for less money. Accountability favours the inexpensive candidate, since administrators are 'overhead' that must be reduced, but is that really the best choice for the organization?

1.3   Trust

In order to move to more emphasis on the traditional concept of responsibility, trust must exist. Decision makers achieve trust by:
- Making known their values.
- Having passion for a cause.
- Discussing and exchanging ideas and solutions.
- Recognizing complexities and choices.
- Outlining choices and their underlying rationale.
- Demonstrating consistency.
- Being responsible, taking responsibility - leading.

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Stakeholders must also engage in and trust the process – they must influence and debate values and choices and participate in being part of the larger accountability process, a process related to being accountable for consequences and outcomes.

1.4 Measuring Outcomes

Measuring outcomes against an organization's vision, mission, values, strategic priorities and business plan are also key to success. These measures reflect the multi-layered approach to evaluation, accountability and the exercise of responsibilities. De-emphasizing 'management by numbers' is recommended – but not abandoning measurement, business planning or quantifiable objectives.

2 CULTURE OF BUSINESS

One approach to achieving responsibility is to create a 'culture of business' within a charity (and its business subsidiaries). This sets a tone, a context within which to exercise responsibility and accountability.

2.1 What is Culture?

Culture is the collection of values, norms, beliefs and assumptions that define the framework of how people work in an organization. Culture includes the driving motivation of the people who work in an organization, and the incentives that the organization has used to encourage specific behaviour.

Culture is defined in an organization by its:

- Strategic and business plan
- Leadership
- Decision making approach
- Example of others in the organization
- Policies and procedures
- Corporate structure
- Customer expectations
- Recruiting/selection process
- Product/service design
- Training
- Incentive structure (not just monetary)
- Sales approach

2.2 Culture of Business

A 'culture of business' is not the same as a 'culture of accounting'. Success in business comes from a focus on customers first. The recipe for success in business is to create value for your customers. A charity offers the most efficient use of donor money when it does the same thing.

A "culture of business" is an adaptation and application of business norms and language into a non-profit setting. It includes the following characteristics.

1. A business culture is client or customer value centric. Judgment always comes down to answering the following: "How does this action meet the long-

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term needs of our customer?" It is important to recognize that the focus here is long-term.

2. A business-oriented organization knows what it is good at, and markets this to clients or customers who can realize value from a relationship with the organization. These organizations make choices about whom they will or won't serve, so that they can serve their niche exceptionally well.

3. A business-oriented organization creates value for its clients and customers. Value created is shared between the customer and the organization. These organizations do not undervalue what they provide.

4. A culture of business does not mean valuing profit over mission. In the case of a charity it is creating a balance between quality and cost effectiveness, efficiency and resource availability – being business-like. For a charity owned business, being business-like is also important, however the balance is between achieving its mission whilst creating a profit, with profit being the primary end. Profits generated from charity commercial activities are a mechanism for increasing the ability to meet the charity's mission.

5. A culture of business does not mean pushing the products you want to sell or trying to sell customers or funders things they do not need. It means listening to your clients and customers and helping match them with valuable services that help them meet their needs whilst realizing an organization's mission. It means being sales oriented and taking a cross-marketing approach where every interaction with a client or customer is an opportunity to deepen the relationship

6. Pricing should be based on value creation and market comparisons – not solely on cost. A charity is seeking a social return on investment, whilst a charity owned business a financial return on investment. In the case of a charity owned business, prices are maximized.

7. A culture of business emphasizes taking advantage of market opportunities and is innovative and entrepreneurial, that is, it focuses on:

   a. Creating something new.
   b. Seeing change as the norm and as healthy.
   c. Always searching for, responding to, and exploiting change.
   d. Taking risks.
   e. Constantly shifting resources from lower to higher areas of productivity and yield.

8. A culture of business has clear entrepreneurial values, such as:

We are Client Focused	We accept Change and support Excellence
• Customer driven	
• Quality	• Continuous improvement

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• Responsive to client need,
• Passion for customer service.
 	
We strive for Transparency and Accountability
• Openness and honesty in all actions and communications
• Dependency on logic and evaluation and respect for intuition
• Responsible to financial investors/funders
• Integrity and honesty
• Effective communication.
 	
We value Effectiveness
• Commitment to the efficient and effective use of resources
• Application of an entrepreneurial approach to the business portfolio activities
• Value teamwork.
	• Acceptance that change is part of everyday activities
	• Innovative
	• Desire/wanting to succeed and improve
	• Evaluation and feedback
	• Success driven/results driven
	• Want to be the best.
	
	We are Responsive to the external environment
	• We exhibit responsible behaviour to
	   o The community within which we function
	   o Customers
	   o Employees
	   o Funders/investors
	   o Suppliers
	   o General public
	• Excellent follow–up service

3 Applications

Application I: Staff Competencies

Describing and implementing a competency-based system to reflect the culture of business is but one of many examples applying the concept. For example, the Ontario Service Safety Alliance (OSSA) breaks competencies into five areas: results focus, business acumen, relationship building, courage, and improvement focus. Each is defined with several sub competencies and they apply to different staff and management levels within the organization. For example, with relation to the business acumen competency area, the **Contributor Through Others** is directed at competencies expected of middle managers:

- Contributor 1: Provides referrals for appropriate products and stream of services.
- Contributor 2: Encourages the use of appropriate OSSA products and processes by demonstrating the value of the tools.
- Contributor Through Others: Reflects changing business environment in plans.
- Farther up the management scale, Contributor Through Vision: Anticipates future business environment and revises OSSA strategy appropriately.

The following are descriptions of each competency area.

Results Focus
• Is proactive in identifying situations that require action to be taken or decisions to be made.
• Uses analytical skills to understand the issues and works actively to engage stakeholders in discussions directed at building their capacity.
• Uses creativity, innovation and resourcefulness to develop evaluated solutions that lead to appropriate problem resolution.
Business Acumen
• Approaches day-to-day decisions as though they are an owner of the business.
• Prioritizes and focuses action on what is best for the organization through an understanding of key business goals, and their personal contribution to the achievement of those goals. I
• s proactive and takes initiative in furthering organizational goals.
Relationship Building
• Builds trust among colleagues and clients through the use of candour, honesty, integrity and sense of humour.
• Uses communication skills, persuasion, and ability-to-influence to strengthen relationships.
• Acts proactively and takes personal responsibility for identifying and developing relationships that are key to effective execution of job duties.
• Effectively demonstrates teamwork through the development of various collegial relationships.
Courage
• Demonstrates confidence and perseverance by acting on convictions despite the existence of obstacles or resistance.
• Is patient, flexible and purposeful in taking action to further the achievement of OSSA strategic goals.
• Is open to new concepts and ideas that contribute to the achievement of those goals.
• Doesn't shy away from discussing challenging topics.
Improvement Focus
• Demonstrates enthusiasm for learning and a thirst for knowledge.
• Keeps an open mind to new ideas and concepts.
• Applies new knowledge to day-to-day activities to increase OSSA's effectiveness.
• Shares experiences and knowledge with others.

Application II: Venture Philanthropy

Venture philanthropists are motivated in a variety of ways including being able to gain intellectual stimulation by applying their knowledge and skills that helped them become successful entrepreneurs.

They invest time, and human and financial resources in the completion of a charity's product or program business plans and in their implementation. Their involvement is long-term and they expect a business-to-business approach. They open up their networks providing opportunities for others to invest in the organization.

They expect to work with successful individuals (staff and trustees) and organizations, within an entrepreneurial culture that is results-oriented with a business planning approach.

Having a culture of business enables charity staff and trustees, helping them to answer the key questions (listed in the chart below) asked by venture capitalists and Venture Philanthropists increases the possibility that an organization successfully engages and effectively works with venture philanthropists,

Application III: Commercial Ventures

Third sector managed or owned commercial ventures have been around for a long time. They include:

- Products related to the mission, sold at a profit to core clients who are able to pay for the value created.
- Products related to the mission sold to a new market of non-core clients.
- Products unrelated to the mission but that which create value and can be sold to core clients.
- Non-mission products sold to non-mission clients, but which take advantage of a skill or asset derived from core activities.

The framework within which business enterprise activities may be considered is that of a commercial ventures portfolio vs. a core service or program portfolio as defined within the organization.

It should be noted that even though the ultimate objectives and outcome of the core and commercial portfolios are different, each approach the undertaking of activities in a business-like manner, applying the culture of business. Remember that culture of business means being "customer-centric" – and this makes sense whether your ultimate outcome is to please the customer through the delivery of your mission, or to raise money by pleasing your customer.

The purpose of a commercial development process is to:

- Create an organization proactively responsive to a changing environment.
- Develop commercial products and a commercial ventures portfolio to meet member, client, and customer needs.
- Manage these entrepreneurial commercial activities and the associated organizational changes required within the context of an organization's values, mission, strategic and business plans and structure.

We find that managing the above successfully and reducing risk requires that organizations follow a thoughtful and customer-centric development process.

There are nine steps that should be undertaken to ensure a thorough and well-managed process is in place for the generation, selection and implementation of business enterprises. It is important to note this process can also apply to the development of venture philanthropy products and programs.

Points one and two relate to the organization's assessment of itself as being ready to create and maintain a vibrant venture philanthropy revenue generation program and a profitable commercial ventures portfolio.

Points three to nine relate to the program and product development and business planning process. It is imperative that through the business planning process, a business plan is developed for each viable program and business enterprise as well as for the portfolio as a whole.

The following is the systematic approach to new business enterprise development:

1. Determine organizational need for and purpose of venture philanthropy supported endeavours and business enterprises.
2. Determine of organizational readiness, commitment, barriers and inhibitors.
3. Search for areas of opportunity.
4. Create program/product/service ideas/ventures/enterprises. The results of this search should meet the selection criteria developed by each organization, the criteria being part policy.
5. Put program ideas and business enterprises through a screening process. This entails preliminary feasibility analysis, the development of a business plan, research and development and a further assessment against the selection criteria.
6. Design and test idea/venture.
7. Launch or acquire idea/venture/enterprise.
8. Review and evaluate on ongoing basis against the business plan.
9. Revision

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Once a business is established by a non-profit organization there are a number of ways it may be set up. Among the number of options, it could be part of the non-profit or it could be established as a separate business entity. Due to difference in ends between core and business, each organization should seriously consider its relationship with the business. The culture of business underpins and supports successful growth and transition.

Application IV: Bonds

There is a growing potential for an organization to issue bonds or other debt instruments as a source of project or operating financing.

Bonds have a long repayment period. Normally, the entire principal is due at maturity, along with interest payments made semi-annually or annually, although it is possible to structure more creative repayment arrangements, which could be integrated into an organization's revenue generation fundraising activities. The latter may include:
- Tying high net worth fundraising to bonds, the holder of the bonds forgoing interest, donating it to the charity. With gift aid, the charity benefits and, in certain circumstances, so does the donor.
- Adding these activities to a legacy program, asking bondholders to donate the bonds back to the charity as part of their estate planning.
- Debt opens up the potential of funding relations with the private sector as a supplement to government support, fees and other sources of revenue.

Debt is appropriate for funding operations or projects with predictable cash flow and a large current financial need.

Debt typically does not come free. Interest and covenants can create restrictions that should be carefully considered before taking on any new debt.

The potential benefits of financing with debt include:
- Payment for projects with a long life consistent with when the benefits are achieved, rather than when expenses are borne.
- Reissuing at maturity, creating a permanent source of capital.
- A potentially faster way to raise funds than running a major capital giving campaign.
- Projects can be financed based on their economic and social benefits, rather than government policy or funding fads.
- Creative repayment structures that match cash flow to repayment.
- An organization issuing debt as an agent for its member organizations.

Raising money in the capital markets creates a discipline. The business case for investment must be strong, and investor pressure can help encourage prudent financial decisions. One of the potential outcomes is the reinforcement of a culture of business throughout the organization.

4 BENEFITS

There are a number of significant benefits to a charity that result from the application of a culture of business. Some of these are outlined below.

- Revenue Generation
    - o Supports the creation of new and ongoing sources of revenue.
- Entrepreneurial Spirit
    - o Halo effect throughout an organization reinforcing innovation and appropriate risk taking.
- Supports Strategic Plan
    - o Helps with the achievement of corporate strategic and business plans.
- Skill Development
    - o Adds new skills such as business planning, and new product and program development.
- Change Process
    - o Reinforces creative and ongoing change as a service and organizational quality enhancement support.
- Access New Markets
    - o Allows for the organization to reach beyond current markets without necessarily affecting current client groups.
- Team Building
    - o Supports building a team approach bringing departments and individuals together, advancing inter and intra group understanding.
- Enhances Profile
    - o Reinforces the creation of opportunities to enhance image and brand awareness, supporting advocacy activities.
- Educational Goals
    - o Aids in an organization achieving its public and corporate advocacy and educational objectives.
- Organizational readiness
    - o Helps to strengthen the fundamental organizational elements leading to results including: leadership -(volunteer and staff); policy - vision, mission, values, culture; strategy - strategic and business plans; structure; people management, skills required, staff needed; resources - (staff, financial, image/brand, good will, success); processes and systems; outcomes, results and success measured by people and customer satisfaction, impact on community and the achievement of organizational business plan results.

5 CONCLUSION

The setting within which a non-profit organization functions is changing at a fast pace. Pressure from funders, clients and policy makers are forcing associations and charities to adapt by being proactive, innovative and entrepreneurial.

The approaches described in this paper create a variety of benefits for non-profit organizations. These include added revenues along with the creation of an entrepreneurial spirit. Organizational plans are reinforced and supported.

Being entrepreneurial and being business-like does not mean managing numbers. A culture of business moves the focus to the customer, good judgement, and taking responsibility. The goal should be to earn trust from stakeholders that customer needs are being met due to responsible management. If one does this, the numbers are going to look good in the long run too.