

THE THIRD SECTOR REPORT

The Ethics of Community Leadership

By Jeffrey R. Wilcox, CFRE

Nonprofit boards are the training grounds for people to learn the fundamentals of what it takes to become a successful leader of communities.

The goal is that if every board member is developed into a responsible community leader while on a board, the members will move onto other worthy causes that will benefit from their knowledge and experience while building for themselves a progressive career of community service.

One of the least mentioned, yet fundamental, topics in developing community leaders is the topic of ethics. In its simplest form, ethics refers to those moral principles that people use to guide their decision-making. In the nonprofit world, the understanding and practice of ethical behavior cannot be overemphasized.

Approaches that nonprofit leaders choose to pursue about stewarding donated dollars, treating people in need with dignity, performing due diligence in decision-making on behalf of others, and communicating with their stakeholders are constantly under the microscope. This reality is more true today and ever before.

The fact is that America's confidence in charities is low. It is estimated that less than half of the contributors throughout our nation actually believe that a donated dollar will be used for its intended purpose. Media coverage surrounding the results of America's outpouring in times of crisis, disaster, and national emergency have only reinforced public doubts; while accounts of criminal acts by nonprofit leaders has fueled a growing population of skeptics.

When one nonprofit makes an ethical mistake, the entire nonprofit sector suffers.

Unfortunately, the question of ethical behavior usually comes from an outside source and is the result of a questionable action that often can't be reversed. Rarely do most community leaders perceive a need for taking a more proactive approach, providing training on nonprofit ethics, or putting a self-policing process in place. That's too bad, given that safeguarding ethical decision-making and behaviors is the least expensive form of risk management.

While there is not a universal "code of ethics" that exists for The Third Sector, experience has taught us that the giving public generally measures the ethical behavior of community leaders and their organizations through one or more of four lenses.

The first ethical lens is the degree to which the common good is truly being served. Ethical behavior puts the good of the community above all others, maintains a reasonable overhead to

accomplish that good, and uses the values and mission of the organization as a barometer for carrying out and measuring its community worth.

The second lens is demonstrated integrity. There is an expectation that people make decisions with a demonstrated earnest for developing, facilitating and serving a common agenda rather than serving their own or a hidden one.

Even the IRS has become involved in this lens of community service ethics by demanding a conflict of interest policy in nonprofit organizations. As “social benefit” corporations, nonprofit board members must disclose private interests that could influence the use of charitable funds that were afforded a tax-deduction benefit. Ethics tells us that knowing how to manage conflicts of interests before they occur is a first step towards demonstrated integrity.

The third lens is due diligence in decision-making. Basing decisions on facts, listening and accounting for the opinions of others, soliciting bids before awarding large contracts, producing representative and truthful evaluation data, and establishing criteria for making fair choices about honorees, who to serve, and who to invite onto the board are all examples of due diligence at work.

The fourth lens is openness to and the demonstration of public accountability. Nonprofit leaders are stewards. Reticence to share how people’s discretionary resources were managed is a red flag especially as it relates to executive compensation, calculating overhead, and reporting service delivery and community impact.

In simple language, these lenses are what builds a nonprofit’s credibility and a community leader’s reputation. Credibility and reputation are the prerequisite equity a nonprofit must manage if it hopes to create financial resilience.

If you don’t believe it’s worth a board’s time to look at, discuss or teach ethics in serving the community, think again. There are some things that money cannot buy, and for a nonprofit organization, public confidence is the prime example.

***The Next Third Sector Report:
The ABC’s of Great Community Boards***

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