



Ethical Guidelines for Board Members of Not-for-Profit Organizations

Introduction

Not-for-profit societies or associations are generally created in order to provide programs and services that address specific needs or interests of those who create the organizations. These organizations are governed by a board of directors, which is responsible for directing, influencing, and monitoring the organization's business. The boards generally carry out their governance roles by developing and monitoring policies, and work is generally organized through committees.

Board members of not-for-profit organizations are volunteers who have an interest in the well being of the organization. With their board membership, however, comes responsibility and accountability. An overriding area of concern for all not-for-profit organizations is its ethical governance - not only must governance be ethical in all areas, but it must also be perceived to be ethical. The ethical operations of the entire organization will flow from the standards set by both policy and leadership actuality, and the ethical conduct of each board member will determine the perception and, to a degree, the reality of the ethical conduct of the board as a whole, and through to the not-for-profit organization as a whole.

While not-for-profit organization board members are both liable and responsible for their conduct and decisions in their board member role, the not-for-profit organization often does not articulate standards that define potential areas of unethical conduct by board members. Practices that are generally acceptable in a business setting may not be considered ethical in the not-for-profit organization's domain. However, if board members are not made aware of these areas of concern, they may breach ethical boundaries unknowingly to the detriment of the organization, its membership, and themselves. Therefore, it is incumbent on not-for-profit organizations to articulate ethical guidelines to board members at the outset of their membership to protect the sanctity of both the organization and the member. This report will review related issues and suggest guidelines that a not-for-profit organization can use to impart the necessary knowledge to prospective board members.

Reasons for Serving on a Not-For-Profit Board

Individuals volunteer to serve on boards of not-for-profit organizations for many different reasons. Most volunteers offer their services because they share the *raison d'être* for the existence of the organization, and strongly believe in its work and purpose. People also serve on boards from enlightened self-interest, in that they believe in the organization, but they also want to gain personal benefits from their volunteer efforts. The reasons for board service range through degrees of pure servitude intentions (i.e. total desire to serve) to a salient desire for personal gain (i.e. total desire for personal gain).

While it is generally from board members' wishes to gain personal benefits from their volunteer efforts that most areas of conflict of interest arise. Ethical issues can also arise through actions or lack of actions unbeknownst to the board members.

Areas of Potential Ethical Problems

Board members both expect and are expected to carry out their board duties with the proper use of their authority, and in a professional and ethical manner. Ethical problems evolve in situations where expected standards or norms are not met, whether they have been clearly articulated by the not-for-profit organization or the organization has been silent on the standards. Expected performance standards include the following:

1. Being loyal to the not-for-profit organization and its members.
2. Avoiding conflict of interest, including direct and indirect gains which could accrue to the member as a result of actions or decisions made in the capacity of board authority. Examples of potential conflict of interest include:
 - A board member makes a decision motivated by considerations other than the "best interests of the not-for-profit organization".
 - A board member, or close family member, personally contracting with the organization.
 - A board member learns of an opportunity for profit that may be valuable to him/her personally or to another organization of which s/he is a member.
 - A board member assists a third party in their dealings with the organization, where such assistance could result in favorable or preferential treatment being granted the third party by the not-for-profit organization
 - A board member receives gifts or loans from the organization.
3. Dealing with the public, staff, clients, and board peers in an ethical, fair, and straightforward manner.
4. Not exercise individual authority over the not-for-profit organization or the staff.
5. Speaking positively of the not-for-profit organization to the public.
6. Fostering friendly and positive working relationships between volunteers and staff.

7. Maintaining confidentiality of board business.

In any organization, including a not-for-profit organization, the leadership sets standards and the practicing of these standards. The organizational culture follows from these standards and the subsequent practice of these standards by board members. In the long term, a lack of an ethical base resulting from not creating and following ethical standards has the potential to lead to a lack of success in the organization. As unethical behavior by an individual board member reflects on the board as a whole, and vicariously to the organization as a whole, it behooves all not-for-profit organizations to provide clear standards for board members.

Board Obligations and Responsibilities

The board is ultimately responsible to determine the purpose of the not-for-profit organization through the establishment and implementation of the organization's vision and mission, and the review and modification of these guiding principles as required. It is also responsible for the continuity of the organization, which it provides through both directly managing and implementing the organization's affairs, or through the effective recruitment of management and staff personnel. The board sets the organization's rate of progress in reaching its mission and vision, and also is responsible for establishing the identity of the organization by securing its community's support and appreciation for the organization's *raison d'être* and long-term direction.

It is important that the board of a not-for-profit organization ensure that it is aware of its obligations and responsibilities, and that this information be articulated and disseminated to all board members. The board, and vicariously each board member, is ethically responsible for the proper functioning of the board. Often the board's area of ethical responsibility is ignored, with ethical concerns focused on areas of perceived and actual areas of fairness and honesty, and little or no focus placed on the potential of lack of management or failure to ensure that the board meets its responsibilities to its board members.

Guidelines for Board Members and Not-For-Profit Organizations

Not-for-profit organizations, whose boards are generally comprised of volunteers for whom their board membership is usually one small part of a busy life, often do not have a code of ethics or related guidelines for their board members. While it is common for such organizations to have a code of ethics for their membership at large, it is not recognized that there are specific pitfalls and areas of potential ethical mismanagement which are not likely encompassed in the general code of ethics prescribed to its members.

Each not-for-profit organization should consider establishing a code of ethics for directors. The structure and contents of such a code, while important, are somewhat secondary to the commitment required to develop the code, and the awareness established through the development process. Each board should determine areas of specific concerns given their own special circumstances and areas of risk. These circumstances and risk areas may change and evolve with the organization's growth and evolution, and the code of ethics should be revised to maintain currency with organizational shifts. While individual organizations' specific areas of concern may not incorporate some of the following identified potential components of a code of ethics for board members, the components are identified along with a relatively exhaustive listing of potential areas of conflict. The listings could be eliminated in areas of non-applicability, and in other areas could be used to generate ideas of specific identification of potential conflict of interest areas unique to the organization.

Suggested components of a code of ethics for directors of not-for-profit organizations are as follows.

Code of Ethics for BC Lymphedema Association's Board of Directors Statement of Commitment

[A statement of commitment will emphasize the responsibility of the board and each member to the membership, and to the board as whole both as the statement is being developed and in perpetuity as it is discussed with each nominee and incumbent. An example of a Statement of Commitment is:]

"In establishing policy for and on behalf of BC Lymphedema Association's members, I am a custodian in trust of the assets of their society/association. The members recognize the need for competent and committed elected board members to serve their organization and have put their trust in my sincerity and abilities. In return, the members deserve my utmost effort, dedication, and support."

"Therefore, as a board member/director of the BC Lymphedema Association, I acknowledge and commit that I will observe a high standard of ethics and conduct as I devote my best efforts, skills, and resources in the interest of the BC Lymphedema Associations and its members. I will perform my duties as board member/director in such a manner that members' confidence and trust in the integrity, objectivity, and impartiality of the BC Lymphedema Association are conserved and enhanced. To do otherwise would be a breach of the trust which the membership has bestowed upon me."

Ethical Guidelines

[A listing of items that the not-for-profit organization considers to be in conflict should be developed by the board and included in the overall code of ethics. An example of a comprehensive listing of items follows. Each organization should include items that may be unique to their own membership.]

General

1. I will always hold the betterment of the membership of the organization as my priority, including during all participation in discussions and voting matters.
2. I recognize that I am obligated to act in a manner that will bear the closest public scrutiny.
3. It is my responsibility to contribute to the board of directors any suggestions of ways to improve the organization's policies, standards, practices or ethics.
4. I will not abuse my position as a board member by suggesting to any organization employee that I am entitled to or expect any special treatment beyond regular members of the organization.
5. I will declare any conflict of interest, be it real, potential, or apparent, which is not immediately obvious with regard to any matter being discussed in my presence during a meeting.
6. If the board decides at any time during a meeting that I have a conflict, I will accept their request that I refrain from participating in the discussion and I will leave the meeting at the board's request. I understand that the board's decision will be recorded in the minutes, either with or without the reasons for the decision being also recorded.
7. I understand that the following activities are considered by the organization to be conflicts of interest, and that conflicts of interest are not limited to the following situations:
 - where a director makes a decision or does an act motivated by other or additional considerations than "the best interests of the organization.
 - where a director personally contracts with the organization or where s/he is a director of other organizations that are contracting with this organization.
 - where a director learns of an opportunity for profit that may be valuable to him/her personally or to another organization of which s/he is a member, or to other persons known to the director.
 - where a director, in any circumstance as related to the organization, puts his/her personal interests ahead of the best interests of the organization.

Information

8. I will not knowingly take advantage of or benefit from information that is obtained in the course of my official duties and responsibilities as a board member, and that is not generally available to membership
9. I will be alert to information that the organization can use to develop improved policies and strategies.
10. I will protect the organization's information closely and will not release or share confidential information without the permission, preferably in writing, of the person who provided it.
11. I will maintain confidentiality of all information that the board deems ought to be kept confidential.

Resources

12. I will be mindful of resources that are in my trust on behalf of the organization and will help establish policies that ensure the maximization of secure and protected resources.
13. I expect to be reimbursed for legitimate expenses incurred by myself for the sake of the organization. I will keep all such expenses reasonable and justifiable and will discuss expenses that may be in question with the organization's president.

Gifts and Hospitality

14. Should business associates or others offer me gifts, favors, or benefits on a personal basis because of the business the organization does with them, I will recognize that such offers may be an effort to secure advantage from me, and I will reject such offers on the basis that it is against the organization's policy to accept gifts from business contacts. The most I will accept will be normal promotional handouts of a nominal value.
15. I will not routinely accept the hospitality of others. For example, when meals are taken with business colleagues, I will pay for as many meals as do my colleagues.

Representing the Organization

16. As part of my duties as a board member, I represent the organization informally and formally to other associations, societies, government officials, and business representatives. I recognize that it is important that I represent the organization in such a way as to leave others with a positive impression of the organization. In my duties, I will preserve and enhance the good reputation of the organization and will avoid behavior that might damage its image.

Interpretation

17. The president of the organization shall ensure that the practice of this policy will be fair, just, and equitable in all situations of interpretation and application.

Enforcement

18. The president is ultimately responsible for immediate interpretation, application and enforcement of the board members' code of ethics policy. All complaints concerning a possible code of ethics violation shall be made in writing to or by the president with a copy provided to the complainant.

The president shall make an initial determination of the issue and shall attempt initial resolution of the problem with the complainer and the complainant.

If this initial attempt at resolution is not successful, the president shall appoint a tribunal composed of three board members to investigate the complaint. The tribunal is required to investigate, as required, and submit a written report to the president within 30 days. The president will render his/her decision within ten days of receiving the tribunal's report.

The president's decision may be appealed, in writing, to the board of directors for consideration the board's next regular meeting for a final decision. The final decision shall be delivered, in writing, to the complainer and complainant.

Delegation and Penalties

Should the president be the subject of a written complaint, the vice president shall perform the duties normally assigned to the president in this matter.

19. Penalties imposed for breach of the code of ethics may include, but are not limited to, the following:

- Excluding the director from portions of all future meetings and discussions which relate to the stated conflict of interest, and/or
- censure of the director, in private, in public, or both, and/or
- removal of the director from office by a resolution passed by a vote of two-thirds of the members voting at an annual or special general meeting of the not-for-profit organization's members, provided that notice of such a proposed resolution is given with the notice calling the meeting.

I have read and I accept the BC Lymphedema Association's Code of Ethics for Board Members _____

Signature of Director

Date

Conclusions

The leadership of all organizations, including not-for-profit organizations, is ultimately responsible for the creation of the culture that will permeate the organization and its membership. A strong, ethically grounded organization is only possible when a strong, ethical board governs it. In turn, the strength of the board is grounded in the ethical conduct and approach of each of its board members.

While the more basic components of ethical behavior incorporate the base principles of fairness and honesty and are therefore fairly obvious, there are many other potential pitfalls for the board member who may not be aware of the possible implications of his/her actions or, in some instances, lack of actions. The fact that a board as a whole has ethical obligations to its board members, and ultimately to all organization members, is often overlooked and is also often at the root of a resultant culmination of unethical behavior.

The board is firstly responsible to ensure that it has a clear understanding of its roles, responsibilities and functions, and then to ensure that this information is clearly articulated and conveyed to all board members. By making clear the purpose and requirements of the board and all of its members, the board will reduce the likelihood of its swaying from its mandate. By clearly retaining its focus and purpose, it will help to

ensure that any unethical behavior by its board members will stand out as improper and inappropriate.

As well as maintaining and disseminating the “big picture” of its roles, responsibilities and functions to its board members in order to enhance their understanding of the board’s ultimate responsibilities and therefore reduce unethical actions and behaviors, including those of lack of adequate management due to lack of knowledge, the board should also clearly outline an exhaustive listing of actions, lack of actions, and behaviors which it considers to be detrimental to the board and to society’s norms, and therefore unethical. The creation of such guidelines and the provision of them to all board members firmly grounds the organization’s ethical stance, and the guidelines will be an everpresent barometer that can be referred to in moments of question or doubt. The posting of these guidelines in a prominent location during meetings can help to remind board members of their ethical duties, while also subtly serving as a convenient reference for members to refer to should events arise during a meeting that contravene the guidelines. The immediate referral to the guidelines can prevent potential problems from escalating beyond their inception.

By making such a listing a part of an orientation package for nominees of a board, prior to the nominees signing a nomination form, the board can be ensured that all future board members are aware of the ethical stance of the organization. By having nominees sign a declaration on the nomination form that they will disclose all currently known or potential conflicts of interest, each new board member will bring a fresh commitment to ethical governance, invigorating the commitments of existing members.

Through continual rigorous efforts to maintain an ethical organization, all not-forprofit organizations can increase their chances to serve their membership in a positive manner, unencumbered by unnecessary distractions caused by unethical behavior of any sort.