



# CONNECT!

Sharing Information & Resources to Strengthen the Mid-South Nonprofit Community, Spring 2005

## Ethics and Nonprofit Organizations

Even the appearance of impropriety can be detrimental to philanthropic foundations and charitable organizations. The public relies on the nonprofit sector to utilize funding for the intended use. Abuses within the nonprofit community range from use of endowment money to pay for personal expenses to excessive compensation for executives (Gregorian, p. 43).

No sector is without scandal. However, the result of any nonprofit agency or foundation identified with abuse or impropriety is unflattering media attention that reflects on the sector as a whole. There are numerous reasons the nonprofit community should be concerned about unethical behavior. In addition to the damage to the public perception of the nonprofit and the loss of

public trust, there are tangible costs associated with unethical behavior once it is discovered including government imposed fines or penalties (Thomas, Schermerhorn, & Dienhart, pp. 58 -59).

Once lost, public trust is hard to regain. The aspect of trust is, perhaps, most important to nonprofit sector organizations. Nonprofit leaders rely heavily on trust to garner support from contributors and clients.

Why unethical behavior occurs is an important question for nonprofit leaders to address. The Board of Directors must remain in touch with the organization mission and culture. When board members are left out of key decisions or fail to exercise their power to establish and evaluate organization procedures, independent decisions that could have detrimental affects on the organization may be made (Jennings, p. 16). One of the Board's responsibilities is to ensure compliance with regulations and laws; another would be to ensure that the organization is lead by an effective and ethical administrator (Miller-Millesen, p. 523).

In addition to having a range of internal control procedures, an organization code of ethics is a tool for building an ethical organization. The code of ethics should be

publicized throughout the organization and include enforcement provisions. Adhering to a code of ethics allows the organization to self-govern, thereby reducing costs to the community and avoiding many of the problems that may remain hidden from government audits and inquires (Brien, p. 3).

The ethical climate of the organization also greatly contributes to the presence of ethical misconduct. Ethics is directly tied to leadership. The ethical tone is set by top executives and filters throughout the organization (Thomas, et al. p. 56).

*-Excerpt from manuscript by, Pam Kildow, M.P.A.*

### References

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- Miller-Millesen, J.L. (2003). Understanding the behavior of nonprofit Boards of Directors: A theory-based approach. *Nonprofit and Voluntary Sector Quarterly*, 32.
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### INSIDE THIS ISSUE

2

#### BoardSource Question

*What is conflict of interest?*

3

#### Training Calendar

5

**Book Review: *Balanced Scorecard for Government and Nonprofit Agencies***

# BoardSource Consultant's Question of the Week

## *What is a conflict of interest?*

Conflict of interest is difficult to define, yet many people think they know it when they see it. The legal definition of conflict of interest, usually set out in state laws governing nonprofit corporations, is very specific and covers relatively few situations. Most conflicts fall into a gray area where ethics and public perception are more relevant than statutes or precedents.

Conflict of interest arises whenever the personal or professional interests of a board member are potentially at odds with the best interests of the nonprofit. Such conflicts are common: A board member performs professional services for an organization, or proposes that a relative or friend be considered for a staff position. Such transactions are perfectly acceptable if they benefit the organization and if the board made the decisions in an objective and informed manner. Even if they do not meet these standards, such transactions are usually not illegal. They are, however, vulnerable to legal challenges and public misunderstanding.

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## √ Web Resources

Websites serve as helpful tools when researching specific topics. For more information on ethics, check out these interesting websites:

- <http://www.legalethics.com> Gives information on ethics in the states and courts, cases on ethics, federal issues, ethics laws, legal practice, practice areas, and even legal reference. It also provides ethics articles and other resources
- [www.ethics.org](http://www.ethics.org) This website provides guidance for those in the professional world and it is part of The Ethics Resource Center and they strives to inspire individuals to act ethically towards one another, inspire institutions to act ethically, recognizing their role as transmitters of values, and to inspire individuals and institutions to join together in fostering ethical communities.
- <http://www.nonprofitethics.com/> The purpose of this site is to serve as a starting point for those interested in ethical challenges faced in the world of nonprofit organizations.

## Codes of Ethics

### Advantages

- Set out the ideals and responsibilities of the profession
- Exert a *de facto* regulatory effect, protecting both clients and professionals
- Improve the profile of the profession
- Motivate and inspire practitioners, by attempting to define their *raison d'être*
- Provide guidance on acceptable conduct
- Raise awareness and consciousness of issues
- Improve quality and consistency

### Disadvantages

- Whether the so-called standards are obligatory, or are merely an aspiration
- Whether such a code is desirable or feasible
- Whether ethical values are universal or culturally relativistic
- The difficulty of providing universal guidance given the heterogeneous nature of the profession
- What the point is of specifying responsibilities, given the limited regulatory function of a code.

[www.is.cityu.edu.hk/research/resources/isworld/ethics/](http://www.is.cityu.edu.hk/research/resources/isworld/ethics/)

## Training Calendar



### May:

#### **Researching Grant Funding**

**Date:** May 11

**Time:** 8:30 a.m. – 1 p.m.

**Location:** The Grant Center; 606 South Mendenhall Ste 108.

**Facilitator:** Melissa Hanson, The Grant Center

**Fee:** \$60 for members \$75 for non members

Learn how to conduct research for government, corporate, and foundation funding with new print and electronic tools including the Grant Center's CD-ROM Database.

Send Training Calendar Events to [connect@memphis.edu](mailto:connect@memphis.edu)

### June:

#### **Understanding the 990 Tax Return for Nonprofits**

**Date:** June 9

**Time:** 8:30 a.m. – 11:30 p.m.

**Location:** The Assisi Foundation of Memphis, 515 Erin Drive

**Facilitator:** Lee Hood, CPA, Whitehorn Tankersley & Co., PLLC

**Fee:** \$60 members; \$75 nonmembers  
Learn why nonprofit tax form 990 information is important to donors and funders and how to read and evaluate any organizations programs through the 990.

#### **Everything Else (About Proposals)**

**Date:** May 13

**Time:** 8:30 a.m. – 12:30 p.m.

**Location:** The Assisi Foundation of Memphis, 515 Erin Drive

**Facilitator:** Fayre Crossley, The Grant Center

**Fee:** \$60 members; \$75 non members  
Learn all aspects of proposals not specifically addressed in past workshops including important details for winning proposals.

## Creating an Ethical Organization: Avoiding Conflict of Interest

**Nonprofit board members and staff should take steps to avoid even the appearance of impropriety. These steps may include:**

- Adopting a conflict-of-interest policy that prohibits or limits business transactions with board members and requires board members to disclose potential conflicts.
- Disclosing conflicts when they occur so that board members who are voting on a decision are aware that another member's interests are being affected.
- Requiring board members to withdraw from decisions that present a potential conflict.
- Establishing procedures, such as competitive bids, that ensure that the organization is receiving fair value in the transaction.

Source: [www.boardsource.org](http://www.boardsource.org)

## Announcements

- ❖ **Child Abuse Prevention Training**\_The Memphis Child Advocacy Center offers educational training sessions for children, parents and child-serving professionals. For more information or to schedule a speaker presentation, please contact: Mandy Scherer, Development & Community Relations Associate, Memphis Child Advocacy Center (901) 888-4341.
- ❖ **The League of Women Voters Annual Luncheon** will feature guest speakers Janann Sherman and Beverly Bond, University of Memphis History professors and authors of the book, **MEMPHIS IN BLACK AND WHITE**. The luncheon will be held on Saturday, May 14, at the Oak Grill. Cost for the luncheon is \$18. Call 327-6892 for information and reservations.

### SUBSCRIBE:

**Add staff & board members to the CONNECT! e-mailing list.**

**Send email addresses to [connect@memphis.edu](mailto:connect@memphis.edu)**

## \*New Faces\*

### Pamela Coleman

Executive Vice-President and Secretary  
Porter-Leath Children's Center Board of Directors

### Molly Egg

Program Assistant Tipton County Commission on Aging

### Jim Henderson

Executive Vice-President of Finance and Treasurer  
Porter-Leath Children's Center Board of Directors

### Sean M. Lee

Executive Director and Second Vice-President  
Porter-Leath Children's Center Board of Directors

### Kevin Roehl

Director of Development Church Health Center

### Karen Spacek

Vice-President of Development  
Greater Memphis Arts Council

### Marvin Stockwell

Public Relations and Communications Coordinator  
Church Health Center

### Mike Warr

President  
Porter-Leath Early Childhood Foundation

### Jan Young

Executive Director  
Assisi Foundation of Memphis

**Send your news about new staff and new programs, as well as resources you found useful to your nonprofit organization to the CONNECT! E-newsletter at**

[connect@memphis.edu](mailto:connect@memphis.edu)



## *The Book Section*

***Balanced Scorecard Step by Step for Government and Nonprofit Agencies***, by Paul R. Niven, John Wiley & Sons, 2003, 305 pp., Hardcover, ISBN: 0471423289.

This book thoroughly explains the balanced scorecard approach to nonprofit management. Paul Niven describes the balanced scorecard as an extremely useful tool for nonprofits because it provides a broad source of information and is able to fill many different needs in a nonprofit organization.

The balanced scorecard can be applied as a performance measurement system, system of strategic management, and a communication tool. There are many different sets of information that enter into the balanced scorecard to measure outcomes. This is different than the traditional methods of only evaluating organizations based on financial ratios and numbers from the budget.

The balanced scorecard approach takes into account the mission, strategy, customer, internal processes, human capital and financial information into determining the success of an organization. The balance between the standard financial ratios/data and the new indicators of success provide an innovative and more accurate depiction of the actual successes and functioning of the organization. Though the balanced scorecard approach was originally developed for the private sector, it is extremely applicable for nonprofit organizations.

*Reviewed by Dorothy Crimi  
University of Memphis M.P.A. student*

## American Humanics, Spring Awards Banquet

The American Humanics Spring Awards Banquet was held on April 15 on the University of Memphis Campus. This event recognized outstanding students and their accomplishments and contributions throughout the past year. Awards were presented to students completing certification for the American Humanics program in 2005. Students also received awards for attending the American Humanics Management Institute held in Atlanta in January.

Many non-profit collaborative partners attended the banquet along with students and faculty from the three schools that make up the Mid-South American Humanics Collaboration.

American Humanics was honored to have G. Scott Morris, MD, MDiv, serve as guest speaker for this year's banquet. Dr. Morris is the Executive Director of the Church Health Center of Memphis and a leader in the nonprofit community. His speech entitled, "The Top Seven Reasons to Become Involved in the Nonprofit Sector" provided entertainment as well as key insights into nonprofits gained from his personal experiences.

### FOR MORE INFORMATION CONTACT:

- **Susan Tomlinson Schmidt, Campus Executive Director, University of Memphis, (901) 678-4395, web: [padm.memphis.edu/ahumanics](http://padm.memphis.edu/ahumanics) email: [ahumanics@memphis.edu](mailto:ahumanics@memphis.edu)**
- **Damita Dandridge, Campus Director, LeMoyne-Owen College, (901) 947-7409 email: [damita\\_dandridge@loc.edu](mailto:damita_dandridge@loc.edu)**
- **Carol Powell-Lewis, Executive Director, Crichton College (901) 320-9700 ext. 1407 email: [cpowell@crichton.edu](mailto:cpowell@crichton.edu)**

## Thinking About Earning a Masters Degree?

The Master of Public Administration (M.P.A.) degree program at the University of Memphis is designed for part time, in career students. Courses build on current experience and knowledge to build skills and competencies useful to students in the office today and for their individual professional development.

The M.P.A. program offers concentrations in nonprofit administration, urban management and planning, and public management/policy. The American Humanics Nonprofit Management Certificate can be earned with the M.P.A.'s nonprofit concentration.

For more information, visit the Division of Public and Nonprofit Administration web page at [padm.memphis.edu](http://padm.memphis.edu) or call the Division of Public and Nonprofit Administration at 678-3360.

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