**Ethics Awareness Month**

**Scenario 2**

**Conflict of Interest: Board of Directors**

**Scenario**

I was a development director at an organization that has high visibility in our area. We were seeking an in-kind donation from a business to redesign our website. I had been cultivating a local public relations firm who had given a first-time contribution previously. Their staff had generously helped us with some website fixes when we were without web maintenance services, so they seemed like a natural fit to help. And indeed, after a first meeting, they were interested in helping us.

When our board president learned of this, they stepped in and demanded we work with their small marketing firm (and this would be their contribution for the year, instead of their cash gift). When I gently shared that a current business donor had been working with us and

was willing to gift us their time and resources, they said they couldn't believe we wouldn’t choose them, and that they were disappointed in me.

I talked to our new and first-time executive director about the situation and encouraged her to have a conversation about conflict of interest with the board. She didn't feel good about it but acquiesced to the board member because she didn't want to lose a hard-working board member. Our marketing director let us know that their first meeting with the board president about the website redesign was unorganized and not helpful. I again brought up the conflict, but the executive director quickly moved on to other agenda items.

In the coming days, the board president made it impossible for me to work there, including banning the staff from speaking at board meetings. The stress made me physically sick, and I and another colleague resigned soon after.

**Questions**

Is there anyone else the fundraiser might have discussed the situation with apart from the executive director?

Are there documents, policies or procedures that might have helped the fundraiser in this case?

Apart from conflict of interest, are there are other potential ethical issues involved in this situation?

**Outcome**

Looking back at it now, I wish I had implemented an ethics training program that began at board orientation. I also could have literally handed my boss the AFP *Code of Ethics*, though I'm still not sure if that would have helped. Training all staff, even our bosses, could be a more proactive approach to these sticky ethics issues. I'm happy to say that I'm about to start another development director position and will be looking for ways to immediately have

conversations about ethics with fellow staff, faculty, and board members.

The AFP *Code of Ethical Standards* helped me feel comfortable going with my gut. I knew it was wrong and since my executive director wasn't willing to have a brave conversation to rectify the issue, I just had to leave. I wouldn't feel good about myself and my work with the donors I had come to respect so much.

I think part of the problem was this very inexperienced executive director who hadn't supervised anyone other than interns and had never managed a board. She was willing to bend her ethics in order to not rock the boat. I think more of an emphasis on ethics for early-career development directors would be helpful and could help prevent a lot of stress and unethical behavior.

**Commentary**

Conflicts of interest can arise from personal or professional relationships, including relationships between board members and their business or professional firm. A well written and effectively enforced Conflict of Interest Policy, which includes both annual reviews of the policy by the full board and each member signing the policy annually, can set the stage to both educate members about conflicts, as well as provide a structure to address conflicts if and when they arise.

***Standards 1 – 4 state members shall:***

1. *Not engage in activities that harm the members’ organizations, clients or profession or knowingly bring the profession into disrepute*.

Compliance with this standard requires a clearly defined and transparent bidding process. Although not forbidden, should the Board wish to allow the organization to receive bids from firms with which members have affiliations, extreme care must be taken to ensure that the member with the conflict is not involved in the review or selection of the winning bid.

1. *Not engage in activities that conflict with their fiduciary, ethical and legal obligations to their organizations, clients, or profession*.

Not only does the situation conflict with AFP’s **Code of Ethical Standards**, but the board member themselves breaks one of BoardSource’s board member duties: [The Duty of Loyalty](https://boardsource.org/fundamental-topics-of-nonprofit-board-service/roles-responsibilities/), which states that “each board member must put the interests of the organization before their personal and professional interests when acting on behalf of the organization in a decision-making capacity. The organization’s needs come first.” By putting the priorities of the marketing firm ahead of the needs of the organization, this is a clear violation of the board member’s fiduciary and ethical responsibilities.

1. *Effectively disclose all potential and actual conflicts of interest; such disclosure does not preclude or imply ethical impropriety*.

This standard requires the Governance Committee (or Executive Committee in the absence of a Governance Committee) to confirm that each board member fully discloses their conflicts of interest when completing the Conflict of Interest Statement annually. To normalize this action, each board meeting agenda should include the request that members state any potential conflicts of interest with items on the agenda. This positions the question as a routine part of the meeting rather than “calling out” a conflict only when one may be on the agenda.

1. *Not exploit any relationship with a donor, prospect, volunteer, client, or employee for the benefit of the members or the members’ organizations*.

Compliance with this standard requires that no Board member receives preferential treatment, advance or confidential information, and that policies, such as a bidding and selections policy, is consistently and fairly applied.