Ethical Guidelines

Morongo Basin Cultural Arts Council (MBCAC)

Ethical Guidelines
As of January 2022

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 which address specific needs or interests of those who created the organizations. The organizations are governed by a board of directors, which is responsible for directing, influencing, and monitoring the organizations’ 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 which define potential areas of unethical conduct by board members. Practices which are generally acceptable in a business setting may not be considered ethical in the not-for-profit organizations domain; however, if board members are not made aware of these areas of concern, they may breach ethical boundaries unknowingly to the detriment of both the organization, its membership and themselves. It is therefore 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 which 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 vision for the existence of the organizations, 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.

Area 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. Expect performance standards include the following:

- Being loyal to the not-for-profit organization and its members
- 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 the 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
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- A board member or close family member personally contracting with the organization
- A board member learns of an opportunity for profit which may be valuable to him/her personally or to another organization of which he/she 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
- Dealing with the public, staff, clients, and board peers in an ethical, fair and straightforward manner
- Not exercise individual authority over the not-for-profit organization or the staff
- Speaking positively of the not-for-profit organization to the public
- Fostering friendly and positive working relationships between volunteers and staff
- Maintaining confidentiality of board business

In any organization, including a not-for-profit organization, standards and the practicing of these standards are set by the leadership, and the organizational culture follows from these standards and the subsequent practice for 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 organizations 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 either directly managing and implementing the organizations affairs, or through the effective recruitment of management and staff personnel. The board sets the organizations rate of progress in reaching its mission and vision, and also is responsible for establishing the identity of the organization by securing its communitys support and appreciation for the organization raison detre 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 boards 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 place 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 organizations 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 risk. These circumstances and risk areas may change and evolve with the organizations 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 listing 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:
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Code of Ethics for MBCAC 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 MBCAC 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 Morongo Basin Cultural Arts Council, Inc., 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 MBCAC 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 MBCAC are conserved and enhanced. To do otherwise would be a breach of the trust which the membership has bestowed upon me.

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[A listing of items which 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 which 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 which will bear the closest public scrutiny.
3. It is responsibility to contribute to the board of directors any suggestions of ways to improve the organizations 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 boards request. I understand that the boards 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 that the best interests of the organization
   • where a director personally contracts with the organization or where he/she is a director of other organizations which are contracting with this organization
   • where a director learns of an opportunity for profit which may be valuable to him/her personally or to another organization of which he/she 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 interest 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
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9. I will be alert to information which the organization can use to develop improved policies and strategies.

10. I will protect the organizations 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 which the board deems ought to be kept confidential.

Resources:

12. I will be mindful of resources which are in my trust on behalf of the organization, and will help establish policies which 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 which may be in question with the organizations 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 organizations 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 which 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 member 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 tribunals report.

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

19. 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.

20. 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 related 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 members, provided that notice of such a proposed resolution is given with the notice calling the meeting.

I have read and I accept the MBCAC’s Code of Ethics for Board Members

_______________________________            _________________________________________________
Date                                                                  Signature of Director or Nominee

Conclusions:

The leadership of all organizations, including not-for-profit organizations, is ultimately responsible for the creation of the culture which will permeate the organization and its membership. A strong ethically grounded organization is only possible when it is governed by a strong ethical board; 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 its members, the board will reduce the likelihood of its swaying from its mandate, and 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 boards ultimate responsibilities and therefore reduce unethical action and behavior, 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 is considers to be detrimental to the board and to societies norms, and therefore unethical. The creation of such guidelines and the provision of them to all board members firmly grounds the organizations ethical stance, and the guidelines will be an ever present barometer which 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 event arise during a meeting which 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
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know 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-for-profit organization can increase their chances to serve their membership in a positive manner, unencumbered by unnecessary distractions caused by unethical behavior of any sort.

References: