

ETHICS



The Nonprofit Ethicist

By Woods Bowman

DEAR NONPROFIT ETHICIST, A few nights ago, a fellow staff member was working late at the office when the executive director came in. She had been out drinking, apparently, with a board member. When the executive director asked the staff member what was going on, the staff member answered her curtly. It was an awkward situation, though, because the executive director was drunk. The board member then said something to the executive director like, "You have a right to an answer," and then I saw the executive director lunge across the desk at my colleague.

No one called the police, but I called the board chair, who told me to write it up. I got a statement from the staff person involved and sent it to the chair. Now, a week later, I have heard that board members disagree about how to handle the situation, but it seems to me that a line has been crossed. The executive director had this staff person by her lapels and was pushing her back in her chair. We regularly have to work late in

the office and sometimes alone.

This is not the first time that staff members have felt threatened by the executive director, and the board has received complaints from us about verbal assaults, but nothing as physical as this. Is this a clear ethical issue? Am I off base for expecting some quick action from the board? Help us!

Afraid

Dear Afraid, Abusive executive directors are usually more subtle. Appearing inebriated at the office is bad, but physical contact is strictly forbidden. The executive director is clearly wrong, even if she felt provoked verbally. But if every board did its job, there would be no need for this column. This board sounds somnolent. It surely does not help that the executive director is the drinking buddy of at least one board member.

That said, the statement you submitted to the board is not conclusive. It is just an allegation, but it should trigger an investigation that takes written

statements from all witnesses and gives the executive director an opportunity to respond to allegations against her. The scope of the investigation should include the issue of appearing inebriated. This could take time. One week may not be enough, but there should be signs of movement, because eyewitness accounts become less reliable with the passage of time. Keep prodding.

The board has a responsibility to move quickly and decisively. They will be held accountable for any further violence. They have information that would cause a prudent person to think the workplace is not safe. They should ask the executive director to stay out of the office until their investigation is complete.

Dear Nonprofit Ethicist, Can a board pay the founder-CEO of a 501(c)(3) above other paid staff when there is a shortfall in revenue? If so, how?

Running on Empty

Dear Running on Empty,

By “above,” do you mean “more” or “in advance of”? If you mean, should an organization’s board pay a CEO before it pays other employees, the answer is “Absolutely not.” You should check with a lawyer, but it sure sounds like a good candidate for an illegal practice. Regardless, it’s a foolish and ungracious move destined to drive away employees and volunteers. It’s not the action of a leader.

There are several answers to the question of paying a CEO more than other employees. The only law on the subject of executive compensation is the IRS’s Intermediate Sanctions rules, which say nothing about compensation differences within an organization. But your last sentence suggests that you are more concerned about the other issues.

From a human-resources perspective, it is good policy to compensate

higher-ranking executives more than those who report to them. Face it: lower-ranking employees will lose whatever respect they may have left for an inadequate CEO when they make as much as he does. (There is an exception to this rule, however: when a CEO voluntarily cuts his own salary, he should follow this gesture with organization-wide salary reductions in the spirit of shared sacrifice.)

Trimming executive compensation will not solve this organization’s problem. When external forces batter an organization, it should look for efficiencies by doing a top-to-bottom review of what it does, why, and how. If a CEO isn’t up to the new monumental demands of leadership in tough times, the board should replace him. Firing a CEO is never easy, but it is especially difficult when a CEO is also an organization’s

founder. If your CEO recruited everyone on the board, as founders usually do, it may be impossible. While in good times a close working relationship between a board and a CEO often works well, in bad times it can cause real problems.

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