



The Nonprofit Ethicist

by Woods Bowman

Dear Nonprofit Ethicist, I am looking for advice on how to handle a longtime board member who has become very difficult. He has his own ideas about our mission and how we should execute it and is really on a different page from everyone else. He badgers people at board meetings and goes on and on about what he wants us to do. People are very polite but frustrated with him. Recently he has started to meet with board members individually to put forth his ideas and persuade them to buy into them. Some board members told him they were too busy to meet; others called me and said they didn't know how to say no to meeting with him but were uncomfortable about it. Our board president has asked him not to keep bothering people, but he does it anyway. One board member suggested we institute term limits just to get rid of him.

If we were to institute term limits, we would also lose several excellent board members. I oppose creating a new system just to deal with one problem. Several board members have told me that they believe this board member needs to go. He is taking the enjoyment out of being on the board, and no one wants to serve on a committee with him. We have already lost one good board member who got tired of dealing with him, and I worry that we might lose more.

Frustrated in Phoenix

Dear Frustrated,
The Ethicist has seen a lot of situations where no one wants to do a necessary but unpleasant job and either waits for someone else to act or bails out. This sounds like one of them. But you must follow your bylaws. If there is a proper way to remove the difficult board member, encourage the excellent board members to stick their necks out and use it. The Ethicist is a strong believer in term limits, so don't think of this solution as creating a new system just to deal with one problem. You might lose some excellent board members, but it is important to get a constant supply of new ideas, and no one should think that one is indispensable. This attitude is probably why the difficult board member is throwing his weight around. You can bring the other board members back after a hiatus. Keep them on the letterhead by placing them on an advisory board but remove them from the governing board. Who knows, they may even appreciate a vacation of sorts.

Dear Nonprofit Ethicist,
When our association receives a large donation designated for a specific program, such as domestic violence prevention, the CEO directs accounting staff to deposit such funds into the general operating fund to cover overhead, usually upcoming payroll. Should

these funds be set aside in separate operating accounts and designated for the specific program area rather than used for overhead? On one level, funds received make the programs possible because they are staff driven, but are we using the money to forward the intentions of the donor? Is our stewardship role compromised by this method of handling the donation?

Association Steward

Dear Association Steward,
It is OK to deposit all income in one bank account. (Otherwise, you would need to open a new account for every gift and grant with strings attached.) It is incumbent on an organization's managers, however, to properly account for every gift and grant and not use money given for X purposes on Y purposes. That said, because contract reimbursement practices sometimes do not jibe with reasonable nonprofit cash flow, many organizations use the cash they have in hand to tide them over during lean periods until other—already committed—money arrives. But this can be a slippery slope. Problems occur when restricted money is used for impermissible purposes without the firm commitment of other money to cover those purposes. Hopeful speculation on grant requests that you merely “feel good about” is a dangerous game that can end in

ruined careers and defunct organizations. People who run Ponzi schemes share the same fate for the same reasons.

Dear Nonprofit Ethicist,

After our founder retired in 2000, my organization floundered under a non-supportive board that hired and fired at least a half-dozen interim directors while it hunted for a permanent replacement. Some directors quit because they were underpaid and micromanaged by the board.

I was hired in September 2002 and inherited the board from hell. The founder refused to provide any help. There were no donor records to speak of, except for the corporate/family foundation files, which were a mess; funding had been reduced by some of those foundations and cut off by others. The organization had a little more than \$350,000 in reserves. I don't know where it came from; but there were no viable programs other than homework assistance, no quality staffing or technology, antiquated phone systems, and no management systems or program evaluations.

The board, however, believed that all was well. To keep the doors open and maintain some cash in hand, I suggested we get a line of credit while we rebuilt the organization. Board members refused and said that I was trying to get the organization into debt. We ate up our reserves trying to keep the doors open and pay salaries, taxes, insurance, and so on. Even though the organization had substantial reserves, the operating budget had developed a growing deficit before I arrived, and no one was listening to the accountant. Not surprisingly, that deficit grew to almost \$150,000.

Well, four years later, that board is gone, as are two subsequent boards that we built. But the organization has survived, funding is on the rise, and this year we might just break even. This has been the most stressful four years of my

life, and there are other directors out there with similar experiences. What can executive directors like me do in these situations?

Survivor

Dear Survivor,

Well, to begin with, the six interims might have been your clearest clue to a less-than-satisfactory situation. I have two words for you: due diligence. There is no substitute for asking the right questions up front. (When people buy a house, they usually hire someone to check it out for termites, drainage problems, etc. The same principle applies here.) At a minimum, every candidate for an executive director position should review the past three years of an organization's financial statements and the associated management letters provided by the organization's auditors. Just walking around and chatting up the staff privately would probably reveal a lot as well. If an organization does not have financial statements, does not want to share them, or does not want an executive director candidate talking privately to staff, it is a bad sign.

Now, on another note, I'm not letting you off scot-free. First, it is dangerous to make use of reserves if you're not sure where they come from, because nonprofit revenues are often restricted in some way. No one needs to be brought up on charges of mispending. Second, unless you were earning more on your reserves than your line of credit would have cost you, the board's position on borrowing money likely made good financial sense. Nonetheless, congratulations on pulling through this crisis point.

Dear Nonprofit Ethicist,

What are the important steps for senior nonprofit executives to take when contracting and collaborating with consultants—whom they hire to facilitate events that will include large numbers

of staff during times of great internal change—to ensure that the open dialogue and inclusive methods promoted in announcement will not be overridden with micromanaging the process? How ethical is it to offer employees hope that their voices will be heard and then to coerce consultants to silence them or neglect the emotional side of their experience?

Quizzical

Dear Quizzical,

I'm glad you brought this up, although the problem is as much about the ethics of consulting as it is about the ethics of hiring a consultant. If a consultant is hired by an executive director who would like to establish a long-term relationship with the organization, for instance, is it reasonable to expect that the consultant will act without pandering to the interests of that position? If a consultant identifies leadership as a blockade to progress, should the consultant unwaveringly call the situation into question? There may be an inherent conflict of interest in many of these relationships. Even so, it is the Ethicist's opinion that too many organizations hire consultants without giving clear and consistent guidance. This kind of sloppiness is expensive and results in findings that are vague and unhelpful. As for soliciting input from stakeholders, organizations get the kind of product they deserve. If they don't ask for input, or if they ask for it and don't use it, they risk producing a consulting report that can't be implemented because it lacks stakeholder buy-in. It is also a bad idea to say one thing and do another.

WOODS BOWMAN is associate professor of public service management at DePaul University.

REPRINTS of this article may be ordered from store.nonprofitquarterly.org, using code 140201.