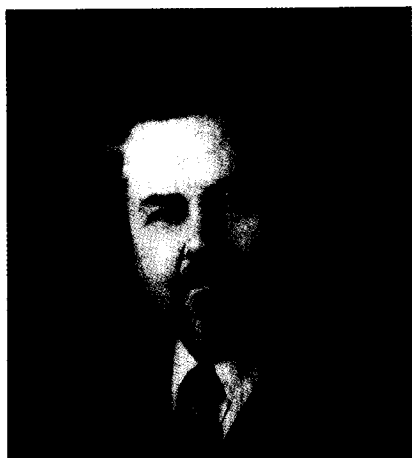


Put the Power of Ethics to Work in Your Organization

This last article in our series provides practical suggestions for improving your organization's ethical health.

Part 6 of a Series on Ethics in the Nonprofit Sector



By David E. Mason

The best way to tell if a stick is crooked is to lay a straight stick alongside it.

—D.L. Moody

Ethics are more than a menu of promises and ideals. Ethics are meat and potatoes for consuming, digesting, and assimilating. In our series, we have discussed practice as well as theory, and we conclude with prag-

In addition to his work as a consultant to nonprofit organizations, Dr. David E. Mason has consulted at the corporate headquarters of seven Fortune 500 corporations, currently advises family-owned businesses, and is himself a successful entrepreneur. He is listed in Who's Who in Finance and Industry. He may be reached at 3352 Ocean Drive, Corpus Christi, Texas 78411.

NONPROFIT WORLD, VOL. 11, No. 1. Published by The Society For Nonprofit Organizations, 6314 Odana Road, Suite 1, Madison, WI 53719.

matic suggestions for organizational implementation.

You can contribute to a better nonprofit world by examining and perhaps modifying your own attitudes and behavior, and by influencing organizational policy and practice. You might also affect those associations and legislative processes which have an impact on the sector at large.

Consider now several steps toward ethical progress.

WHERE ARE YOU?

Determine where you are before you make your move. Any organization concerned with enhancing its ethical policy and practice should clarify its values. It should look at itself, "warts and all," comparing reality against ideals.

Such a self-examination might consist of two segments:

1. a creed based upon your ideals and values
2. an ethical audit of actual behavior.

The work-culture of some organizations encourages employees to so departmentalize their lives that they leave their ethics at home with the family dog.

A creed's primary contribution is providing a reference point for the beginning of a more ethically aware and sensitive organization. As Samuel Butler said, "It is seldom very hard to do one's duty when one knows what it is, but it is often exceedingly difficult to find this out."

An ethical audit, like a financial audit, is an evaluation of the degree to which policy and practice are congruent with a norm. It can be anything from an expanded executive-committee meeting to a comprehensive, top-to-bottom, "warts-and-all" evaluation by an outside consultant.

CREED

Just what should you include in a creed?

The very term "creed" or "credo" may be foreign to many. But the term was invented within our nonprofit world. Religious organizations, based upon a complex and extensive body of beliefs, tend to write down and agree upon a summary distillation of their core precepts. Organizations with a high degree of cohesion and commitment are wrapped around such creeds. It is interesting to note that congregations that currently enjoy dramatic or consistent growth are those whose members have a

clear and unambiguous understanding of who they are and where they are going.

Consider now the other end of the spectrum. While you would assume that nonprofits would be more likely than businesses to have formal creeds, some

very large and successful corporations have been guided by a set of beliefs from the outset. Among these are J.C. Penny, IBM, and the Bell Telephone System.

Mr. J.C. Penny began his first store with a policy to abide by the Golden Rule. In order to do unto his customers

about organizational values.³ Almost 40 percent of supervisors were not confident they understood the values of their superiors. The further up managers moved in the organizational hierarchy, the more unsure they were of their subordinates' values. This study suggests the importance of a clear statement of val-

study of internal policy statements, board minutes, and memos; interviews with a broad sample of people at all levels, including former employees; and an extensive use of questionnaires designed to determine the organization's posture on various ethical norms.

I agree with Independent Sector's ethics committee as to the primary contribution of an ethics audit and periodic ethics review process. As Independent Sector explains, such an audit and review insures "that the board, staff members, and volunteers are taking actions that are consistent with the organization's values and with changing social or demographic factors."⁴

If such changes cause people to turn white, then the organization may have already deviated dangerously far from an ethical norm.

as he would have them do unto him, he accepted without question the return of any merchandise with which the customer was displeased. The J.C. Penny creed included a commitment "to serve the public, as nearly as we can, to its complete satisfaction; to expect for the service we render a fair remuneration and not all the market will bear; to do all in our power to pack the customer's dollar full of value, quality, and satisfaction; to test our every policy, method, and act in this wise: Does it square with what is right and just?"¹

IBM's founder, Tom Watson, also believed that any great organization "owes its resiliency not to its form of organization or administrative skills but to the power of what we call beliefs and the appeal these beliefs have for its people." Watson states as his creed: "I firmly believe that any organization, in order to survive and achieve success, must have a sound set of beliefs on which it premises all its policies and actions. Next, I believe that the most important single factor in corporate success is faithful adherence to those beliefs. I believe that if an organization is to meet the challenges of a changing world, it must be prepared to change everything about itself except those beliefs as it moves through corporate life. In other words, the basic philosophy, spirit, and drive of an organization have far more to do with its relative achievements than do technological or economic resources, organizational structure, innovation, and timing."²

If creeds are part of giant corporations and a successful entrepreneurial formula, surely they are essential for idealistic nonprofits. And yet, research shows that few nonprofit organizations have clearly developed and formally written creeds.

Indeed, even informal creeds are in short supply. A study of the values of personnel at different organizational levels found considerable uncertainty

and better communication of these values throughout the organization.

INITIAL AND PERIODIC AUDIT

An initial ethical audit should be conducted by a competent, disinterested party. Someone with perspective, whom insiders trust as knowledgeable and concerned with the overall welfare of the organization's ethical health, might then evaluate the results of the audit. As D.L. Moody said, "The best way to tell if a stick is crooked is to lay a straight stick alongside it."

Such a thorough comprehensive ini-

The power structure must insist on ethical behavior, even in the absence of ethical attitudes.

tial self-study should precipitate constructive policy modifications and may encourage the implementation of internal programs and processes. It will set a pattern which might then be repeated periodically and inexpensively by a committee of the board or with the oversight of a panel of objective outsiders.

Another option would be to use a colleague with a similar organization to implement the study. Ethical audits would be an appropriate function of an association or of a central office in auditing its chapters. There must be a prior commitment to honestly communicate to all people involved. The process may be more important than the report, since everyone involved will become more ethically aware and attuned.

My own audit procedure includes a

often decides to crack down on unethical practices. How much better to maintain an ethical awareness program prior to a crisis.

How does an organization heighten ethical awareness? The board can always call in a consultant to conduct a program for them. While there is much to be said for such an approach, an internally evolved program might be less expensive and carry a greater commitment on the part of the board and top management. Such a program might consist of the following steps:

1. Perform an ethical audit as described earlier. Depending upon the depth and magnitude of the audit, its greatest value may be to focus attention on ethical behavior and get people talking.
2. Hold a board retreat at which the

AWARENESS

The work-culture of some organizations encourages employees to so departmentalize their lives that they leave their ethics at home with the family dog. The organizational goals are so single-mindedly simplistic that employees would feel "square" using words like "right and wrong."

As Schmidt and Posner suggest, "We need values to provide a sense of direction amid conflicting and confusing pressures. In managing others, we need values to serve as guidelines for decision making and for clear and effective communication."⁵

After a scandal, near-scandal, or other precipitating event, an organization

audit's results are a major discussion topic, followed by a strong policy statement.⁶

3. Circulate a series of letters, beginning with one from the CEO and flowing down the chain of command. The letters should enunciate the new policy or ethical emphasis and assure everyone that the new broom will indeed sweep clean.
4. As with any new policy, someone will inevitably test it. When the test comes, the policy must be enforced with dispatch in broad daylight. Examples of ethically-motivated action must be extravagantly applauded and rewarded.
5. Speeches, memos, and all other routine administrative communications must reinforce the policy for an extended period. Ethical concerns should become part of meeting agendas.
6. Special discussion sessions, seminars, and workshops may be held for all employees and volunteers.
7. First-line supervisors (those responsible for guiding the work of all the lowest level direct-service people) may need special attention to dispel their skepticism and build conviction

Your business is our business.

When you need audit services performed effectively and efficiently, come talk to us - **Daniel Dennis & Company.** We understand the special auditing and accounting needs of non-profit organizations.

- Audits of Volunteer Health & Welfare Organizations
- OMB A-133 Audits
- Massachusetts Uniform Financial Statements



Daniel Dennis & Company
Certified Public Accountants
Certified Minority Business Enterprise
116 Huntington Avenue
Boston, Massachusetts 02116
(617) 262-9898

that the new policies are expected to work.

8. The power structure must insist on ethical behavior, even in the absence of ethical attitudes. It cannot control the minds of its people, but it has the power and right to control their actions.

The most effective action an organization can take toward a basic moral reference point is to build ethical values into its decision-making systems.

A painting depicts a highlight in Babe Ruth's career. He extends his bat, pointing to the fence over which he intends to swat a home run. After this courageous and arrogant gesture, the colorful Ruth proceeded to hit the ball precisely where he predicted. He made a commitment. He called his shot. He put additional pressure on himself to perform by committing to a goal. He had to come through. He did.

CODE OF ETHICS

I reluctantly suggest what many would say is the most obvious thing an organization can do—creating a code of ethics. I am reluctant because a code of ethics can become an easy way out—substituting words for action, resulting in a lower-than-optimum common denominator.

Robert Payton has some wise words on this subject:

Making decisions ethically involves the process as well as the result. Almost every decision is made in the context of uncertainty about the facts and the consequences. There is a tendency to resolve the ambiguity by pretending that the matter is clearer than it is. We seek to be consistent by forcing cases into predetermined and comfortable categories; we find such comfort in certainty that we blind ourselves to the ambiguity that won't go away. In my experience, the most common expression of that tendency is to hide behind guidelines, to make them so precise and inflexible that they make the decisions for us.⁷

On the other hand, a code can be an effective tool. An association executive notes that "some code, any code, is better than none. Codes are very dangerous to enforce, but I wouldn't be without one. They at least give the executive director the strength to go to a member and say, 'Look, here's the code. There

are some things you need to clean up'.⁸

How does an organization prepare its own code of ethics? A short-cut is to adapt a code already in use by another organization in its field. But such a short-cut may rob you and the rest of your organization of the satisfaction of creating your own code from scratch.

Developing your own code can become an interesting consciousness-raising exercise involving people at all levels. Organizations who have prepared a tentative creed and conducted an ethical audit will find that a code will evolve smoothly as part of a continuum. A procedure I use in assisting organizations includes discussing such questions as the following:

1. What is most important to us and to a better future?
2. Do any of our competitors engage in practices which we would consider unacceptable for our people?
3. Have we done things which our competitors have described as improper?
4. Have we abstained from acts which have cost us money or other benefits on the basis of a principle?
5. For what ethical breaches have we fired or reprimanded employees or phased out volunteers?
6. Do we have standards outsiders admire?

ETHICAL ORGANIZATIONAL SYSTEM

A profound ethical base benefits an organization in more ways than helping everyone sleep better at night. It firms, tones, orients, and builds, because

Share Your Ideas on Ethics

Join us in an ongoing discussion of ethics in the nonprofit sector. Share your ideas on ethical issues in the sector and your experiences in performing your own ethical audit. Write: Editor, *Nonprofit World*, 6314 Odana Road, Suite 1, Madison, Wisconsin 53719.

everyone knows where the goalposts are—and what is and is not out of bounds. It is a pragmatic value, worth getting serious about.

The most effective action an organization can take toward a basic moral reference point is to build ethical values into its decision-making systems. Once you subordinate unethical practices to an ethical value system and institutionalize the priority of ethics, nonethical action loses any incentive it may have had. Ethical action will become normative.

For example, visualize a scenario for measuring units and individuals by their ethics and rewarding and punishing them accordingly. To create such an action-oriented ethical system, take the following steps:

1. Incorporate ethical standards into your organizational mission statements and goals.
2. Include an ethical component in the process of setting all subordinate unit and individual objectives.
3. Make the degree to which ethical standards are met a component of all performance reviews, evaluation and advancement policies, and personnel records.
4. Teach ethical policy and practice in all management and supervisory training programs.
5. Build an ethical increment into formal decision-making systems.
6. Include an ethical evaluation component in the process of allocating resources among organizational sub-units.
7. Make provision in feedback and controlling procedures for reporting ethical evaluation.
8. Implement "glass-house" rules by which there are no secrets.

Like toddlers who defy Mommy's edicts to see how serious she is, subordinates will soon test any new restrictive policy. All policy statements at all levels will be tested by their breach. Policy will not be translated into practice until it has weathered testing. The more decisive the victory over the first challenge, the smoother the future sailing.

If proposing changes like the above causes people to turn white, then the organization may have already deviated dangerously far from an ethical norm. If so, it's better to find out now than later.

MORAL COMPASS

Ethical organizations are likely to endure over time, reach their goals, and provide positive experience for their people. Unlike a mindless machine that cranks on, chewing all that catches in its

gears, the ethical organism has both a "mind" and a "heart." The "mind," which infuses reason, and the "heart," which feels and cares, evolve because ethical individuals' inputs are allowed to influence its activities.

What is the alternative? What if we drift...and drift?

Bruce Hopkins summed up the present ethical position of the nonprofit world: "All that has been achieved, that is cherished, that has been taken for granted by the philanthropic community is under examination, challenge, and threat....Coming federal and state regulatory policies are likely to erode philanthropy's legal base in the United States. Today's custodians of American philanthropy cannot responsibly operate on the assumption that present law in regard to this field will be tomorrow's law."⁹

Reputation, recognition, and appreciation are the currency of our sector. They are as important to us as money is to a business. It is crucial that every nonprofit organization develop ethical guidelines, not only to establish its own

moral compass, but to ensure the survival of our entire sector. ■

Footnotes

¹Ward, John, *Keeping the Family Business Healthy*, San Francisco, Jossey-Bass Publishers, 1987, p. 204.

²Watson, Thomas J., *A Business and Its Beliefs: The Ideas that Helped Build IBM*, New York, McGraw Hill, 1963, p. 5.

³Schmidt, Warren H. and Barry A. Posner, *Managerial Values and Expectations*, AMA survey report.

⁴Independent Sector, "Obedience to the Unenforceable: Ethics and the Nation's Voluntary and Philanthropic Community," draft statement, Washington, D.C., 1990.

⁵Schmidt and Posner, op. cit., p. 32.

⁶See "Planning a Board Retreat" in *Board Leadership and Governance, Leadership Series*, available through the Society's Resource Center Catalog (beginning on page 38).

⁷Payton, Robert L., *Philanthropy*, New York, Macmillan Publishing Co., 1988, p. xi.

⁸Walters, Jonathan, "Can an Association Uphold a Code of Ethics?", *Association Management*, October 1983, p. 63.

⁹Hopkins, Bruce, "Legal Issues in Fund Raising and Philanthropy," in Jon Van Til and Associates, *Critical Issues in American Philanthropy*, San Francisco, Jossey-Bass, 1990, p. 205.

WE MAKE IT EASY!

We know non-profits and we know software.
From Membership management to Fund-Raising....
from sound Accounting practices to Meetings registration.
Our software products are designed to make it easy....
easy to acquire... easy to use... easy to customize.
(Did we mention easy on the budget too?)

SOFTWARE! - Membership - Meetings - Fund-Raising - Accounting - Integrated or Standalone - Single-/Multi-User (Call for Pricing)	HARDWARE! 286, 386, 486 - Compatibles - Networks - Nationwide, Onsite - Maintenance (Call For System Quotes)	LEASING! - Easy On Cash Reserves - Lease Hardware and Software (Ask Us How!)	TRANSPORTABILITY! Go Ahead -- Change Your Hardware!! Our Software Runs On Over 50 Different Computer Systems With No Software Changes!
---	--	---	---

**CHECK OUT OUR NEW ADVANCED SOFTWARE SERIES
 FOR NON-PROFITS.**
FULL FEATURE DEMONSTRATIONS AVAILABLE.



CENTURY - DOMINION CORPORATION
 9940 MAIN STREET, SUITE 201
 FAIRFAX, VIRGINIA 22031-3901
 (703) 385-1677

**800
 862
 8008**

