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Nonprofit Strategies



SAN LUIS OBISPO COUNTY COMMUNITY FOUNDATION

Donors Can Cause A Conflict Of Interest

By Barry VanderKelen

Inherent in any solicitation a nonprofit makes for resources is a conflict of interest. On the one side, board and staff members are responsible for protecting the organization's mission. On the other side, these same people may put their personal motivations in front of the organization's and agree to restrictions donors place on gifts. In order to get the money, board and staff may be willing to loosen the organization's boundaries to enable the donation to be made.

Consider the board member of a hypothetical local mongoose rescue organization who is talking with a wealthy neighbor. The prospective donor may have a passion for ferrets and thinks it's a shame that there are no local ferret rescue organizations. Would the mongoose rescue organization accept a major gift with the requirement that it now also rescue ferrets, the neighbor asks?

A desperate organization may be tempted by a potential gift that is more than enough to pay for a ferret rescue program. Starting a ferret rescue program can be rationalized as a good strategic move. The staff member may

advocate for the gift if there is the potential of a reward, such as a raise or bonus. A board member may advocate for the gift if its acceptance gains the board member prestige in the community.

If the donation is accepted, the mongoose rescue group is now also rescuing ferrets. It is unethical to take the money and not rescue ferrets, especially if the donor made the gift from his will. The organization takes on the fiduciary duty to honor donor intent when the gift is accepted.

The most important point to remember is that this conflict of interest cannot be eliminated. It can, and must, be managed.

The two most important ways to manage the conflict is to have a code of ethics and clear fundraising goals. Numerous studies show that the ethical climate created by senior management and a board influence the behavior of employees. Furthermore, employees model behavior that is rewarded.

While board members cannot be present all the time, they must find ways to create a culture of ethical behavior. One simple way is to adopt a code of ethics. Research suggests that merely having a code of ethics positively in-

fluences the behavior of everyone in the organization.

Having clear fundraising goals that include both amounts and projects will focus the organization on priority projects. Fortunately, having a clear plan attracts donors because they know that their gifts will be used wisely. The lack of a clear plan, conversely, makes people who are looking for a home for their pet projects attractive. Typically, these types of donors are never satisfied, thus they further weaken the organization by absorbing staff time.

Lastly, clear ethical standards and goals align all members to the organization's mission, helping to prevent the flaring up of the inherent conflict of interest in fundraising. They enable organizations to more easily identify inappropriate gifts, and embolden them to turn such gifts down. Declining money is difficult but sometimes necessary.

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Resource Use

- Support nonprofit leadership
- Board development/training
- Strategic planning

Nonprofit Business Column of The Tribune

The San Luis Obispo Tribune publishes a column every other week in the Business section dedicated to the business practices of nonprofit orgs. Barry VanderKelen, Executive Director of the San Luis Obispo County Community Foundation writes the bi-

weekly column to help strengthen nonprofit organizations in the community. Each column is reprinted here as a one-page handout for use by local organizations. Barry can be reached at 543-2323 or by e-mail at barry@slocf.org.