



# Ethics for Board Members

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## ETHICS FOUNDATION

- **“There is no such thing as business ethics, there’s only ethics”**  
John C. Maxwell
- **“Ethics codes don’t make people ethical”**  
Michael Josephson

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## Conduct and Ethical Concepts

The Conduct of Individuals  
Governed by Personal Morality  
(what are your values)  
Example: Newt Gingrich and Tiger Woods

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## Definitions and Concepts for Ethical Analysis

- **Values:** Those qualities of behavior, thought, and character that society regards as being intrinsically good, having desirable results, and worthy of emulation by others
- **Morals:** Modes of conduct that are taught and accepted as embodying principles of right and good
- **Morality:** A system of determining right and wrong that is established by some authority, such as a church, an organization, a society, or a government
- **Ethics:** The process of determining right and wrong conduct
- **Ethical System:** A specific formula for distinguishing right from wrong

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## Definitions and Concepts for Ethical Analysis

- **Unethical:** An action or conduct which violates the principles of one or more ethical systems, or which is counter to an accepted ethical value, such as honesty
- **Non-ethical considerations:** Powerful human motivations that are not based on right or wrong

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## Definitions and Concepts for Ethical Analysis

- **Non-Ethical Considerations:** These are important for Boards to evaluate because they are often the impediments to ethical conduct, and the cause of many conflicts of interest. Non-ethical considerations are many and diverse, and include:
  - The need and desire for shelter, health, wealth, fame, security, self-esteem, reputation, power, professional advancement, comfort, love, praise, credit, appreciation, affection, or satisfaction
  - The desire for the health, comfort, safety, welfare and happiness for one’s family, loved ones, friends, colleagues, an co-workers

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## The Ethical Obligations of Trust Fiduciary Duties

Josephson Institute Of Ethics

- The Duty of Competence
- The Duty of Diligence
- The Duty of Loyalty
- The Duty to Maintain Independent Judgment
- The Duty of Candor and Communication
- The Duty of Confidentiality
- The Duty of Honesty

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## Dilemmas and Conflict Situations

**Ethical Dilemma** - Do the right thing, but lose your role in the organization, alienate a friend or an opportunity for advancement. A non-ethical consideration can be powerful and important enough to justify choosing it over the strict ethical action

**Conflicts of Interest** - dealings between the organization and Board Members that are perceived or real

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## Suggestions To Address Ethical Dilemmas

1. Recognize the ethical issue
2. Gather the critical facts
3. Identify the stakeholders
4. Consider your alternatives
5. Consider the effect on stakeholders
6. Consider your comfort level
7. Consider laws, regulations and rules
8. Document your efforts
9. Evaluate the outcome

*AND NOW SOME QUESTIONS...*

## An Ethical Decision-Making Model for Board Members

### Evaluate.

- If any of the options requires the sacrifice of any ethical principle, evaluate the facts and assumptions carefully
- Distinguish solid facts from beliefs, desires, theories, suppositions, unsupported conclusions, opinions, and rationalizations
- Consider the credibility of sources, especially when they are self-interested, ideological or biased
- With regard to each alternative, carefully consider the benefits, burdens and risks to each stakeholder

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## Public Expectations of Board Members

- Public perception
  - Reliance on the accuracy of information released to the public
  - Independence and objectivity
  - Honesty, competency and integrity
  - Services to the public follow the mission

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## Government Expectations of Board Members

- The organization is following the approved by-laws and mission statement included with the original application.
- Laws and regulations related to government funding are followed.
- Consideration is given to regulations such as Executive Order No: 38.



## Documents to Review

- Charter and By-laws
- Mission and Vision Statements
- Strategic Plans
- Conflict of Interest Policy
- Whistleblower Policy
- Board Policy Statement



## ETHICAL GUIDANCE

Members of the board of directors will exercise proper authority and good judgment in their dealings with organization staff, suppliers, and the general public and will respond to the needs of the organization's members in a responsible, respectful, and professional manner.

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## ETHICAL GUIDANCE

No board member shall share, copy, reproduce, transmit, divulge or otherwise disclose any confidential information related to the affairs of the organization and each member of the board will uphold the strict confidentiality of all meetings and other deliberations and communications of the board of directors.

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## ETHICAL GUIDANCE

No member of the board of directors will use any information provided by the association or acquired as a consequence of the board member's service to the association in any manner other than in furtherance of his or her board duties. Further, no member of the board of directors will misuse organization property or resources and will at all times keep the organization's property secure and not allow any person not authorized by the board of directors to have or use such property.

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## ETHICAL GUIDANCE

Members of the board of directors will conduct the business affairs of the organization in good faith and with honesty, integrity, due diligence, and reasonable competence.

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## ETHICAL GUIDANCE

Each member of the board of directors will at all times obey all applicable federal, state and local laws and regulations and will provide or cause to provide the full cooperation of the association when requested to do so by those institutions and their persons set in authority as are required to uphold the law.

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# CASE STUDIES

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## Case 1

Can an independent board member provide various services such as evaluations of one of the organization's program's performance?

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## Case 1

*Services provided by a qualified board member under contracts or agreements approved by management should also be approved by the board with the interested party abstaining from a vote.*

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## Case 2

Can an independent board member help the organization in the hiring process for key management positions?

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## Case 2

*Providing the board member has sufficient knowledge of the position and the qualifications, review of applicants would be acceptable. However, recommending a specific individual should not be carefully assessed.*

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## SUMMARY DISCUSSION

**Ethics rules assist in determining the most appropriate course of actions when a dilemma is presented**

**Ethics codes are ever changing based on culture, practices, facts, legislation and circumstances.**

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## Ethics Fallacies, Myths, Distortions and Rationalizations

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1. **The Golden Rationalization**, or "Everybody does it" - Tax Cheats
2. **The Misdirection** - "If it isn't illegal, it's ethical." - Al Gore
3. **The Compliance Dodge** - changes after did something wrong - Enron Board of Directors
4. **The Biblical Rationalization** - Judge not, lest ye not be judged - Obama vacations
5. **The "Tit for Tat" Excuse** - If you can't beat'em, join'em - NFL coaches
6. **The Slippery Slope** - No harm, no foul - Romney Flip-flop
7. **The King's Pass** - To good to do wrong - Roman Polanski and Lindsay Lohan

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## Ethics Fallacies, Myths, Distortions and Rationalizations

8. **The Dissonance Drag** - "You lie" - Joe Wilson
9. **The Saint's License** - Do no wrong based on reputation - Red Cross
10. **The Futility Illusion** - "If I don't do it, somebody else will." - Sal Alosi
11. **The Consistency Obsession** - apply other ethics to you - Herman Cain
12. **Ethical Vigilantism** - "my employer owes me"
13. **It Wasn't My Fault** - your mistake, I don't need to make it right - Paul Hamm
14. **There Are Worse Things** - It's ok, because. - Fed Ex Golf Commercials

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