

# I Never Thought of That!

## CONFLICTS OF INTEREST AND CONFLICTS OF LOYALTY

It's time to complete the yearly disclosure of potential conflicts of interest form. You look at the form and you think "I don't really have any conflicts."

Too often we think only of the types of conflicts of interests that involve financial gains. However, in the nonprofit sector it is perhaps more common to struggle with what are often called "conflicts of loyalty." A conflict of loyalty happens when you have two relationships and the interests of one relationship conflicts with the interest of the other. The examples below are designed to help you identify conflicts of loyalty that you might not think of right away.

- You serve on two different boards of nonprofit organizations:
  - The organizations compete for the same scarce funding dollars. If you hear about a new grant during a meeting at one organization, is it okay to tell the other organization?
  - Each organization expects you to help raise funds for the organization. How do you prioritize that?
  - A friend asks you for your advice about donating to an organization. Do you recommend one over the other?
  - A decision being made at the board level of one organization could negatively impact the other. Can you vote on that decision?
  - The two organizations enter into a collaborative project, and you learn that the Executive Director of one organization is being advised to not follow through on part of the agreement. What do you do?
- You're an Executive Director of an organization and on the board of a coalition of which your organization is a part. Your organization begins to disagree with decisions made by the coalition. What do you do?
- You are the development director at one organization and on the board of another. As a board member you are expected to raise funds for the organization. How do you do this when bringing in funds to support your employer is probably what's in your best interest?
- You're a consultant or you work for a company that does extensive business with nonprofits. Do you need to list all of your nonprofit clients? What if you have a community foundation or major donor as a client? The nonprofit board you are on is seeking funding from the foundation or the donor. What should you do?
- You're a doctor, mental health professional or lawyer. A major donor becomes your patient/client. You have legal confidentiality requirements as a part of your profession. Even



writing the person's name on the form would be a violation of your professional code of ethics. What do you do?

Although no conflict may ever arise from some of these types of relationships, the most proactive form of transparency and ethical accountability is to disclose both potential conflicts of loyalty AND potential financial conflicts of interest to the extent that you are able under your professional code of ethics.

