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Sarah Davidson-LeFevre
Grand Valley State University

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The Advantage of Ethical Leadership over Amoral Management for Nonprofits

Sara Davidson-LeFevre
Grand Valley State University

Abstract

This research paper seeks to identify the difference between organizations that practice ethical leadership methods, and those that do not. This comparative research explores literature on both amoral leadership and ethical leadership methods of nonprofit management. The methods used can be described as research-based analysis between two case studies, personal interviews, and comparative analysis of two theories. A literature review and analysis are the main research methods used in this paper. In addition, two individual case studies are compared in this study, as they exemplify both types of organizational leadership. Findings from the review and analysis show that nonprofit managers who employ ethical leadership methods over amoral management will successfully institute greater cultures of integrity, leading to more effective organizations. Research shows that ethical leadership lends itself to higher productivity within organizations, higher levels of trust of management, and also positively impacts individual work engagement. The two case studies explored in this paper detail the circumstances of both an organization that failed to enact and follow ethical leadership standards, and also of an organization that leads with ethical intentionality. The norms and behaviors deemed as important by organizational management and leadership are reflected throughout organizations, and as a result, is reflected in how successfully a nonprofit meets their mission. Amoral management is a modern concept of management that avoids instituting ethical decision making within an organization. This can lead to moral fall-out and unethical decision making, including fraud or malfeasance. As nonprofit, public, and private leaders look to the future of motivational and intentional leadership, an ethical approach focused on key stakeholders, the public they serve, and those leading the mission will prevail.

Keywords: ethical leadership, social cognitive theory, amoral management, nonprofit leadership, organizational culture, code of ethics, culture of integrity

In the state of Michigan, the nonprofit sector employs close to 11% of the state's entire workforce throughout approximately 43,000 nonprofit organizations ("Independent Sector", 2019). One hopes that those in leadership positions in these nonprofits believe in creating morally and ethically responsible organizational cultures. Ethical leadership behavior in the nonprofit sector has been studied with varying viewpoints. "Ethical leadership refers to the actions, talks, and other behaviors which consist of appropriate norms...also normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making (Brown et al., 2005, as cited in Demirtas, 2013, p. 273)". Author John Pucic describes how researchers Brown et al. first validated ethical leadership as a construct in 2005, based on social cognitive theory. This social cognitive theory leans on the concept that people follow the lead of the actions of others, specifically role models in leadership positions.

There is research to argue for the highly positive effects of ethical leadership on organizations. In addition, there is research to argue for the foundational ethical values that nonprofit organizations should follow in order to achieve success and sustainability over time. Lastly, there is also the concept of amoral management to explore, a sort of ethically-neutral theoretical model.

Why We Should Behave Ethically

Ethical leadership demands that there is clear understanding of the *why* of an organizational culture, and its rules and values. People need to understand the *why* behind the expectations in order to follow them. They also need to witness leaders celebrating and emulating clear ethical behavior. "Leaders encourage what they reward and celebrate" (Seidman, 2004, p. 136). Without a vision and framework for ethical leadership, such as codes of conduct, codes of ethics, or statements of values, organizational culture may falter. This process also ensures accountability along with transparency ("National Council of Nonprofits", 2020). Seidman (2004) further maintains that, "Creating and maintaining shared beliefs and common values is not an organic process but one that requires constant vigilance and self-regulation...people need to have frameworks for creating and maintaining self-knowledge" (p. 136). Research shows that leaders need to have vision that leads to commitment to frameworks for shared values and commitment throughout a team and staff.

Trust and the Public Good

Since nonprofits and charitable organizations serve the general public and operate for the benefit of the public good, they also must earn the public's trust. This gained trust leads to sustainability over time for the organization, with clients returning for services, donors continuing to give, and volunteers continuing to invest their time and resources ("National Council of Nonprofits", 2019). Unfortunately, research shows that many Americans lack trust and public confidence in nonprofit performance:

A 2008 Brookings Institution survey found that about one third of Americans reported having "not too much" or no confidence in charitable organizations, and 70 percent felt that charitable organizations waste "a great deal" or a "fair amount" of money. (Rhode & Packel, 2009, p. 2)

It seems the largest areas that lack public trust surround how nonprofits spend their money, fair decision making, and public belief that charities or organizations are actually helping people. Most nonprofits depend on donors and continued financial giving from many contributors, so these issues of trust should concern leaders and be a priority focus area for philanthropic leaders.

In addition to Rhode and Packel (2009), Walker (2019) also reiterates that a large portion of the worldwide population has a general distrust of nonprofits. This fact is a prime example of why ethical guidance and leadership is so imperative for nonprofit leadership to follow. According to Walker (2019), "Nonprofits cannot possibly avoid conflicts, but that is why it is important to have clear rules, policies, and guidelines to follow (p.2)." Those policies and guidelines that organizations can incorporate include those mentioned above: codes of conduct, codes of ethics, or statements of values that set the tone and foundation for ethical behavior and conduct.

Conflicts of Interest

Conflicts of interest are inevitable, even within the nonprofit sector. Conflicts of interest are among the easiest traps for those working in nonprofits to fall into, according to Renz (2019), and also one of the biggest misunderstood challenges. Renz (2019) also explains that many lack a true sense of what constitutes a conflict of interest, and offers some defining explanations. In the United States, the IRS largely defines a conflict of interest for philanthropic organizations as a situation in which, "...an individual's obligation to further the

organization's charitable purposes is at odds with their own financial interests" (Renz, 2019, p. 2). This model of a conflict of interest views the gain of either a financial sense or personal gain as inappropriate. An organizational foundation focused on shared values, trust, and moral leadership, and based on an adopted code of ethics, is one that has a higher chance of exhibiting ethical decision making.

Practical Application

Creating a culture of integrity is paramount in leading an organization to be ethically driven. Rhode and Packel (2009), refer to research that shows that many American employers (nonprofit or for-profit), "fail to foster a culture of integrity, (p. 2)." This takes work. Without a strongly implemented culture of integrity, workplace misconduct is more likely to occur. Seidman (2004) describes how ethics can be described more simply:

Ethics can seem like an abstraction, apart if not divorced from the real world. But when framed in terms of how people treat each other-how people get along and behave, how people trust each other-ethics takes on a far more practical application. (p. 136)

Due to the amount of grey area within nonprofit management and decision making, the National Council of Nonprofits advocates for and provides numerous examples of useful codes of ethics, principles, practices and best practices for nonprofit leaders to utilize.

Amoral Management

Amoral management is a concept that is explored and not actually defined as acting unethically; rather, it is a method to study managers who, "do not make an active or implicit intent to be either moral or immoral" (Carroll, 1987, p. 11, as cited in Greenbaum, et al., 2015, p. 27). Ethically neutral management may be more common among for-profit business leaders, who are not serving a mission aimed as directly at the public good as the nonprofit sector. The research explores the major impediments individuals have to ethical leadership, along with why amoral managers themselves may choose to go the other direction, and become an ethical leader. The two main differences that separate ethical leadership from amoral management are: "(a) the use of ethical communication, and (b) the visible demonstration of ethical practices (Greenbaum, et al., 2015, p. 30).

Personal Ethics v. Professional Ethics

Amoral management is not described as lacking moral ethical influence, but rather describes leaders who separate their personal ethics from business ethics (Greenbaum, et al., 2015). Greenbaum, et al. (2015) explain that some managers who do have personal moral awareness actually choose not to practice ethical leadership. Amoral managers may have their own moral and ethical awareness, yet do not communicate ethical expectations to their organization, or purposely function as ethical role models. In a macro-picture, authors Bowman et al. describe what can result if organizational leaders refrain from instituting ethical leadership or a shared code of ethics: “In the absence of an ethics initiative, business-as-usual expediency and an “anything goes” mentality is likely to dominate, condoning questionable behavior, reinforcing amorality or even immorality, and discouraging ethical action” (Bowman, et al., 2010, p. 89).

Amoral managers can have a set of *personal* ethical values that they do or do not follow, but they choose not to utilize a defined set of ethical values in leadership or management practices. Greenbaum, et al. (2015), explain that amoral management is, “...a manager’s failure to support a socially salient ethical agenda by not using ethical communication and not visibly demonstrating ethical practices (p.31).” This statement implies that by not using ethical communication standards, conduct, and practices, leaders who practice amoral management potentially lack the establishment of a socially recognized ethical climate. While they may very well have a set of ethical values that they adhere to outside of their organization, amoral managers do not carry that over into their professional lives or serve as role models for ethical values throughout the workplace.

Unethical Management v. Amoral Management

Amoral management is also defined by clearly separating it from unethical management or leadership. Greenbaum et al. (2015) characterize *unethical* managers as overall unethical people who, in turn, also serve as immoral managers. On the other hand, *amoral* managers simply do not incorporate ethics into their leadership methods. This can be either intentional or unintentional. “For example, ethical leaders strive to influence followers to uphold ethical standards. The amoral manager, however, does not provide guidance in terms of ethics” (Greenbaum, et al., 2015, p. 31). The guidance that is missing from amoral leaders may include serving as an ethical role model and instituting a code of ethics or organizational ethical framework.

Psychological Factors

Psychological factors affect leaders who choose to employ amoral management. Greenbaum et al. (2015) describe the possible negative perceptions leaders may have of ethical leadership. The psychological effects these leaders can fear, embody threats that they perceive could impact their professional goals or views of themselves. The perceived threats are, "...potentially unfavorable career and social consequences that could come from promoting an ethical leadership agenda (Greenbaum et al., 2015, p. 32). These psychological factors can affect leaders, driving them to believe perceptions of themselves that they believe are true.

Perception: Impediments to Ethical Leadership

Major impediments that leaders have to ethical leadership are the fear of perceived possible threats to both career and social goals for leaders (Greenbaum et al., 2015). The described threats boil down to the socially created notions that, by being perceived as moral leaders who behave ethically, leaders could appear less competent. The fear is that this could result in threats to both competence and integrity.

When exploring the reasons amoral leaders choose to practice amoral leadership rather than ethical leadership, many appear to have to do with perceptions. Authors Greenbaum et al. (2015), describe why some leaders choose to practice amoral management and avoid ethical leadership frameworks:

Leaders may perceive that embodying ethical leadership practices may (a) make them seem less competent, (b) open them up to integrity judgments, (c) threaten the harmony of their groups, and generally (d) detract from overall organizational efficiency and effectiveness. Even if these anticipated consequences are only imagined, and unlikely to be real, the mere perceptions of such consequences can encourage leaders to practice amoral management. (p. 34)

It is clear by this description that amoral management may be supported by some leaders to avoid any (negative) public perceptions that could potentially come as a result of upholding ethical standards, or "softness", leading one to potentially appear less competent.

A few additional reasons that leaders may choose amoral management over ethical management are to avoid finger-pointing or scrutiny among organization members as a result of ethical discussions. Ethical thinking and decision making

tends to be more time-consuming, thus using up greater time and energy, which can lead to less efficiency within organizations. Some nonprofits may not be concerned with efficiency, but many are. Socially, leaders may avoid ethical leadership because of its potential to create the image of a strong moral stance that is inflexible or morally superior (Greenbaum et al., 2015). This could cause an anticipated threat to likability that leaders may fear, along with a threat to social capital in the grand scheme. Younger or newer leaders may also lean towards amoral judgement in their quest to gain confidence, build a reputation, and establish their place in the organization.

Nonprofit Accountability

By definition, the new face of public service, including nonprofits and private organizations, serves the public good. Bowman et al. (2010) define public service as, “the ‘people establishment’ that delivers services to citizens, promotes the collective interest, and accepts the resulting responsibilities” (p. 9). The decision-making skills that nonprofit and public professionals must refine, need to involve good judgement and reflect a strong moral sense for the greater good. For most organizations, there is a substantial list of stakeholders who need to be considered by all leaders.

Stakeholders

Nonprofit organizations are responsible to all of their stakeholders, who include board members, the clients and community they serve, staff, donors, volunteers, and all funders (including government). Accountability varies across the board for individual types of nonprofit organizations, and also varies with the relationships between stakeholders. Legally, nonprofit organizations and charities are also responsible to the IRS and government laws, such as political activities law that control and limit political activity for nonprofits (Renz, 2016).

Areas of Accountability

Some of the main areas nonprofits face in relation to their accountability are: finances, governance, performance, and mission. Many federal and state laws require disclosure statements and reports to be filed regularly to maintain nonprofit status. Nonprofits are also expected to facilitate evaluation and performance assessments to gauge program effectiveness in meeting their

mission. Boards of directors, also called boards of trustees, are the backbone of nonprofit organizations, and, "...need to recognize what is at stake: reputation, image, credibility, and the public trust" (Walker, 2019, p. 2). Without clearly demonstrated ethical guidelines, nonprofit organizations put these four concepts at risk to deteriorate if there is a lack of planning and ethical leadership.

Duties of the Boards of Directors

Before the CEO or executive director position, board members, boards of directors, or boards of trustees are the leading fixtures in nonprofit governance and are obligated to adhering to ethical standards. There are three main legal standards that nonprofit boards are responsible to follow: the duty of care, duty of loyalty, and the duty of obedience.

Duty of care requires that board members act in the best interest of the organization and make decisions both morally and in good-faith. One of the main elements of the duty of care is board members' regular attendance and involvement in board meetings. "The law...holds them accountable for being attentive, diligent, and thoughtful and prudent in considering and acting on a policy, course of action, or other decision" (Renz, 2016, p. 129). Board members should be sure they are preparing for and participating in meetings regularly to apply the duty of care.

The duty of loyalty refers directly to board members avoiding having a conflict of interest with decisions made for the organization. According to Renz (2016), "This standard constrains a board member from participating in board discussions and decisions when they as an individual have a conflict of interest" (p. 129). In this case, example of conflict of interests for a board member would be serving multiple organizations with similar interests or personal interests that conflict with organizational interests.

Lastly, the duty of obedience refers to board members' dedication (and obedience) to the nonprofit's, "mission, bylaws, and policies...and laws, rules and regulations" (Renz, 2016, p. 129). The government and IRS govern board members' adherence to these laws, and can legally hold members to these responsibilities. Board members can have criminal sanctions held against them for failing to follow the duty of obedience.

Factors Conducive to Ethical Leadership

Vision

There are many factors that lead to ethical leadership in organizations and one of those factors that is essential in leaders is vision. “Ethical leadership starts with a vision that making ethics essential and central within the fabric of an organization will enable it to achieve its aspirations” (Seidman, 2004, p. 136). Vision leads to frameworks for organizations that work together to create strategic plans. As author Seidman describes, “To assure a perpetual self-sustaining dynamic of trust, people need to have frameworks for creating and maintaining self-knowledge” (Seidman, 2004, p.136). Many of these frameworks mentioned include codes of conducts, ethical standards and organizational policies.

In order for an ethical framework to be accepted by a staff and team and ingrained into an organization’s culture, a team must accept both the integrity and credibility of their leader (Demirtas, 2013). To begin this process as a role model, leaders are responsible for being able to, “define and articulate a vision for their organization...” (Demirtas, 2013, p. 274). Research has shown that leaders can significantly affect overall performance throughout an organization by setting forth and communicating a vision for the organization. By being credible and legitimate in the eyes of others, leaders as role models can create frameworks that lead to cultures of integrity and morality (Demirtas, 2013).

Foundational Factors & Institutionalization

Along with vision and ethical frameworks, a number of pieces of research similarly describe the foundational factors that influence and lead to an ethical climate within organizations. The Ethics Resource Center:

...categorizes an organization as having a strong ethical culture when top management leads with integrity, supervisors reinforce ethical conduct, peers display a commitment to ethics, and the organization integrates its values in day-to-day decision making. (Rhode & Packer, 2009, p. 11)

The Independent Sector’s 2015 Edition of the *Principles for Good Governance and Ethical Practice* is a resource that outlines four fundamental areas of nonprofit ethical leadership: legal compliance and public disclosure, effective governance (the board’s role), strong financial oversight, and responsible fundraising. Within

these four areas are 33 principles for all nonprofit organizations to consider following to achieve the highest possible effectiveness and accountability, according to the Independent Sector.

Also, according to research collected by Greenbaum et al. (2015), “Ethical leaders actively promote ethics and go out of their way to demonstrate ethical behaviors (p. 29).” Successful ethical leaders intentionally demonstrate ethical values and behavior beyond the closed office door, they utilize an ethical approach that follows clearly communicated ethical standards. Communication is key here, as leaders must relay the organization’s standards for ethical behavior to all stakeholders on a regular basis. Ethics are constantly changing and evolving, and are not black and white. It is evident that the responsibility to create a solid culture of integrity sits on the shoulders of all nonprofit leaders, including the board and executive director. Rhode and Packel (2009) again reinforce this argument:

Often the most critical determinant of workplace culture is ethical leadership. Employees take cues about appropriate behavior from those at the top. Day-to-day decisions that mesh poorly with professed values send a powerful signal. No organizational mission statement or ceremonial platitudes can counter the impact of seeing leaders withhold crucial information, play favorites with promotion, stifle dissent, or pursue their own self-interest at the organization’s expense. (p. 12)

Code(s) of Ethics & Best Practices

Another relevant piece the Independent Sector includes in the *Principles*, is the suggestion that all nonprofits not only reach above the minimum standard of adhering to applicable nonprofit laws, but also create their own code of ethics. This is important because, “The code of ethics should be accompanied by specific policies and procedures that describe how it will be put into practice and how violations will be addressed” (“Independent Sector”, Principle 2, 2020). Organizational leaders need to be aware of this and set the policies for individual organizations in order to be most effective at upholding and communicating ethical standards.

In addition to the 33 principles set in place by the Independent Sector, the National Council of Nonprofits also refers to the best practices that nonprofits across the country can follow to ensure top-notch accountability to all stakeholders.

Many individual nonprofit state associations provide online self-assessments that give nonprofit leaders the opportunity to perform a self-audit of their organization. Breaking it down state by state, Michigan has its own Michigan Nonprofit Association that provides guiding resources to suggest ethical and transparent leadership. (“Michigan Nonprofit Association”, n.d.)

Case Study: The Healing Arts Initiative, New York

Five years ago, a nonprofit organization in New York City, The Healing Arts Initiative, dealt with a massive ethical dilemma and breach of trust. In 2015, a new executive director uncovered an enormous embezzlement scheme by one of their employees, who was reported as stealing \$1000 a day from the organization. The embezzlement damage was reported as at least \$750,000 by one employee over the course of three years, prior to the new director’s leadership (Sturm, 2018).

After the new director took over the organization, she questioned the employee regarding the missing funds, and was then attacked by another employee who threw liquid drain cleaner on her face in an effort to cover the scam (Sturm, 2018). She survived the attack, yet only after many injuries and subsequent surgeries. This retaliation attack led to the executive director suing the nonprofit’s board and asking for their removal from the organization due to negligence to notice and report the financial embezzlement. Unfortunately, soon following this the board fired the new executive director and the organization was closed shortly after. Sturm described this well, as an organization lacking any trust or integrity:

The sequence of events culminating in shutting down the Healing Arts Initiative suggests a nonprofit culture where basic concepts of oversight, accountability, and responsibility were not exercised by either the professional or volunteer leadership. (Sturm, 2018, para. 9)

This scenario is a prime example of a deeply imbedded and unfortunately negative organizational culture, clearly lacking integrity throughout all leadership.

Case Study: Paws with a Cause, Michigan

In direct comparison, Paws with a Cause, a local Michigan nonprofit, has built a foundation on ethical leadership and on creating a positive culture of integrity. Paws with a Cause’s mission states:

Paws with A Cause® enhances the independence and quality of life for people with disabilities nationally through custom-trained Assistance Dogs. PAWS® increases awareness of the rights and roles of Assistance Dog Teams through education and advocacy. (“Paws with a cause”, n.d.) Paws with a Cause has been training and matching assistance dogs with people who have a range of disabilities nationally since 1979. Initially created as a means to help out some close friends, the founders’ called the initial organization, *Ears for the Deaf*, (“Paws with a cause”, n.d.).

Ethical Issues

Chief Executive Director, Michele Suchovsky, explained that some of the organizational leadership trends discussed above are similar to some that are relevant to her organization (personal communication, November 27, 2019). First, she described the fundamental ethical issues that the nonprofit deals with on a daily basis. These issues include transparency, communicating with donors, and handling donor funds-which mirror issues other research has referenced. Paws with a Cause also handles a very specific set of ethical issues due to the unique nature of their mission. Some of these ethical issues surround dog breeding, (dog) training techniques, and a prison partners program they operate. The new leadership has created an open avenue to allow for discussions and conversation regarding ethical issues as they arise, which has not always been the case for the organization.

PAWS Conflicts & Culture of Integrity

Conflicts of interest also naturally arise for Paws with a Cause. There are competing interests for placements of dogs that do not end up as assistance dogs. Some of the dog breeders request to get the dogs back as a pet if they do not qualify to be assistance dogs, while there are also other working placements that could be possible for these dogs. There are also conflicts that can arise with donors, who occasionally want to “buy” a service dog, to help it go to the top of the waiting list. To create a culture of integrity that holds ethical management in high regard, M. Suchovsky described what they do in her nonprofit organization:

We also talk about our work culture and how we create a work environment that supports the health and welfare of our staff. We handle these issues by having base standards that we can all agree upon and then create safe places for conversation in the gray areas. Our

management team regularly discusses these issues, and we engage in conversations with appropriate teams as needed. (personal communication, November 27, 2019)

Paws with a Cause also completes a self-audit through their strategic plan and utilizes two retreat days annually to discuss tough issues with the management team. The worldwide coalition, Assistance Dogs International, also completes an outside audit by completing an organizational assessment every five years. Other than this self-audit, and the external audit every five years, Paws with a Cause does not implement an internal audit process (M. Suchovsky, personal communication, November 27, 2019).

For-Profits vs. Nonprofits

During my interview, I also asked the CEO if she thinks that the executive leader role in nonprofits has a stricter obligation to adhere to ethical standards than leaders in the for-profit sector. M. Suchovsky responded with her opinion that, “they [nonprofits] have a stricter obligation to act within the moral compass set by their organization’s mission and reason for existing”, but don’t necessarily have a stricter obligation to adhere to ethical standards (more than for-profit organizations), (personal communication, November 27, 2019.) The internal moral compass that M. Suchovsky refers to, describes how it drives the work of the nonprofit organization. For-profits can also adhere to ethical standards (as in the professional realm of professions such as the medical profession and law sector), but they, “can exist simply to make money as its end goal” (M. Suchovsky, personal communication, November 27, 2019.) This dedication to the mission reflects the duty of obedience that nonprofit leaders have to follow.

Although Paws with a Cause has a very specific client base and criteria for obtaining and utilizing assistance dogs, it is apparent that without clear ethical leadership values, the organization could struggle with multiple conflicts of interest and lack of discussion regarding fundamental ethical issues. These ethical issues would have the potential to negatively affect the organization if allowed to transpire and go without effective leadership. The management team provides the opportunity for teams to openly discuss the conflicts that arise, so that conversations can take place in order to come to agreement on these issues. The current management of Paws with a Cause exemplifies attempts to create a defined culture of integrity that allows room for open and honest discussion.

The Internal Moral Compass & Judgment Distortion

Unethical behavior exists among both for-profits and nonprofit organizations across the public and private sector. Both corporate and nonprofit misconduct and their moral issues are quick to rise in the public eye throughout all media channels. Chief Executive Officer Michele Suchovsky remarked on the internal moral compass that accompanies her ethical leadership throughout Paws with a Cause. An internal moral compass is more effective if it is innate in a leader or manager, but needs to be combined with established standards and code of conduct in a professional setting.

Additional research points to the same point that judgement distortion can arise in any organization, and that, “A person’s ethical reasoning and conduct is also affected by organizational structures and norms (Rhode & Packel, 2009, p.3).” The leaders of a nonprofit organization have the obligation to create, enact, communicate and uphold high ethical standards to all stakeholders, due to the mission-driven priority for nonprofits to serve their community.

The main forces that cause distortion of judgment in organizations include many causes of misconduct. The workplace misconduct that is discussed, shows that there is much grey area surrounding the most common ethical issues organizations may encounter. The grey areas usually are on the edge of being considered to be direct fraud and mostly surround conflicts of interest, as mentioned earlier by Renz (2019).

Rhode and Packel (2009) further dive into four critical moral factors that can influence ethical behavior. These are moral awareness, moral decision making, moral intent, and moral action. It seems that moral awareness is self-explanatory in that it is, “recognition that a situation raises ethical issues” (Rhode & Packel, 2009, p.3). Moral decision making involves determining the best ethical decisions or course of action for the situation. Moral intent identifies, “which values should take priority in the decision”; and moral action is the actual, “following through on ethical decisions” (Rhode & Packel, 2009, p.3). They further describe how individuals widely differ in their ability to navigate these moral factors and the cognitive biases that affect how people deal with ethical scenarios.

Additional Ethical Leadership Recommendations

It seems the biggest areas that lack public trust surround how nonprofits spend their money, fair decision making, and public belief that charities are

actually helping people. Most nonprofits depend on donors and continued financial giving from many contributors, so these issues of trust should be of great concern and be another priority focus area for philanthropic leaders.

Recommended Practices

According to the National Council of Nonprofits, organizations can follow a long list of practices to demonstrate ethical leadership. They argue that these practices lead to gaining public trust. Some of these practices include: formally thanking and acknowledging all donors in a timely fashion; maintaining cyber security for donors and keeping personal information secure; regularly sharing the nonprofit's defined values to all staff and board members (and following the duty of care) to serve the public benefit; adopting a code of ethics or code of conduct; adopting a conflict of interest policy; conducting an ethics audit; conducting a legal audit the organization; developing internal "whistleblower" complaint processes; respecting confidentiality and using responsible photography procedures; being environmentally responsible where possible; and finally exercising transparency financially, in communication processes, and in times of crisis ("National Council of Nonprofits", 2020).

Ethical Framework

In discussions of analytical framework for ethical leadership, Walker (2019) refers to an ethical structure created out of the work of Frederic Reamer, PhD. Walker (2019) states that, "Conflict-of-interest policies are a start, but the real work involves thoughtful deliberations and decision making", (para. 34). Basically, it is great for nonprofit leaders to have black-and-white conflict of interest policies in writing, but a framework to identify possible ethical conflicts and how to handle them separates successful nonprofits from unsuccessful. This framework by Reamer (as cited by Walker, 2019) includes seven bullet points summarized and listed below:

- Identify the ethical issues that could cause controversy;
- Identify who will be affected by the decision;
- Identify the potential courses of action, including possible benefits and risks;
- Examine how these courses of action tie into organizational values, personal values, and organizational ethical principles and guidelines;

- Consult other experts not directly involved with the dilemma for input and advice;
- Make the decision and document the decision-making process;
- Monitor and evaluate the outcome (Walker, 2019, para. 34).

Using the above framework as Walker (2019) describes, provides nonprofit leaders room to make educated decisions on ethical dilemmas that arise, rather than acting impulsively or reactively to these issues. In her article, Walker quotes Lilya Wagner, a philanthropic director:

Ethics aren't simply a list of behaviors, a set of restrictions on what we can and cannot do. Ethics aren't just something we do because we know people are watching us. Ethics are a reflection of ourselves. Ethical behavior expresses who we are, what values we hold dear and what principles we will always fight for. Our ethics go straight to the heart of who we are. (Walker, 2019, para. 32)

Conclusion

My research shows that by utilizing ethical leadership values and following defined principles and the code of ethics for nonprofit and philanthropic organizations, nonprofits are able to lead more effectively than without implementing ethical leadership methods. At the same time, individual organizational codes of ethics are substantially beneficial to nonprofit and charitable organizations, as Principle 2 in the Independent Sector's (2015) *Principles for Good Governance and Ethical Practice* states:

A charitable organization should formally adopt a written code of ethics with which all of its directors or trustees, staff, and volunteers are familiar and to which they adhere. Each organization should also create or adopt a written code of ethics that outlines the values that the organization embraces, and the practices and behaviors its staff, board, and volunteers are expected to follow, such as the confidentiality and respect that should be accorded to clients, consumers, donors, volunteers, and board and staff members.

Many of the common ethical issues that most nonprofits or philanthropic institutions may run into are less likely to be black and white. The complex issues exhibit greater amounts of grey area that are open to interpretation and contextual examination. Some of these challenges may include misconduct, such as conflicts of interest, possible fraud, lack of accountability and transparency,

and misallocation of resources [funding or revenue] (Rhode & Packel, 2009). Nonprofit leaders who follow the principles briefly introduced above, and also create an organizational code of ethics, may better serve as leaders who are focused on instilling moral integrity. This moral integrity can create an organizational culture of trust and integrity, one that amoral management dismisses. Amoral management methods fail to serve the greater public good or work towards creating a culture of integrity. The nonprofit and philanthropic sector is set on a high mountain of ethics obligated to serve the public good, rather than just a mere profit or bottom line.

The duty of care, duty of loyalty, and duty of obedience all hold nonprofit board members and leaders to high standards that are legally binding. Nonprofit board members are legally obligated to abide by these three duties, and can be held legally responsible for failure to adhere to them. Due to the number of ethical challenges facing nonprofit organizations, including misconduct, conflicts of interest, fraud, lack of accountability and transparency, and misallocation of resources, ethical management techniques can encourage nonprofits to create cultures of integrity. This culture of integrity lends itself to trustworthy and ethical leaders who proactively work alongside the board to create processes and procedures.

As discussed earlier, the conflicts of interest among nonprofits are rarely black and white, but are brimming with grey areas that necessitate close attention and deliberation. Processes and procedures that can assist with ethical deliberation are codes of conduct and clear conflict of interest policies. Ethical management deals with people, and nonprofits need people to run the organizations, support the organizations, serve as volunteers, serve as clients, and maintain the function that the community needs. By aiming to instill cultures of integrity, ethical leaders in the nonprofit world can do their utmost to abide by the three duties, and overall support their communities for the greater good.

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About the Author

Sara Davidson-LeFevre was born and raised in mid-Michigan, and now lives in West Michigan with her husband, three kids, and one dog. She and her husband, Joe, both attended Grand Valley State University, from where she holds both a Masters of Public Administration with an emphasis on nonprofit management and leadership (2020), and a Bachelors of Science in Sociology (2006). Currently working as a proud stay-home parent, Sara previously worked in education, where she served as the Dean of Students for Grand Rapids Learning Center (GRLC), an alternative high school program. While working for GRLC, she led the program while assisting students with completing necessary high school graduation requirements and dual enrollment programming. She plans to continue her career in the education or nonprofit sector within West Michigan.



She currently serves as the Vice President of the Henika District Library Board of Trustees, in Wayland, MI, and is a continuous volunteer in a handful of capacities with Cornerstone Church in Caledonia, MI. Sara is also passionate about supporting NICU parents, and is currently serving as a volunteer NICU mentor parent, to provide emotional and mental support for parents with children in the neonatal intensive care unit.

In 2020, she was honored to be initiated into the Grand Valley State University Chapter of Pi Alpha Alpha International Honor Society. In her free time, Sara enjoys running, reading, yoga, and being outside with her husband and amazing kids.