



Published on National Council of Nonprofits (<https://www.councilofnonprofits.org>)

Original URL: <https://www.councilofnonprofits.org/running-nonprofit/ethics-accountability/ethical-leadership-nonprofits>

Ethical Leadership for Nonprofits

Did you know that honesty is the quality most often cited around the world as the #1 most important characteristic for leadership?

(Source: [*The Leadership Challenge*](#), by James Kouzes and Barry Posner.)

The significance of ethical leadership is of course not limited to the charitable nonprofit sector, but we think nonprofit leaders have a special obligation to demonstrate their commitment to values such as accountability, compassion, honesty, service to others, transparency, and respect. (A little sense of humor goes a long way too!) Ethical leadership is an important way for charitable nonprofits to maintain the public's trust.

The connection between public/trust

Nonprofit organizations are “public benefit” corporations; the purpose of their existence is to benefit the public. (See IRS explanation of "[exemption requirements](#) .") The mission of a charitable nonprofit expresses the particular way that the organization will fulfill its public benefit purpose. Fittingly, board members are often referred to as “trustees,” which reinforces the concept that the assets of a nonprofit are entrusted to the board members, who have a legal and fiduciary duty to ensure that the nonprofit uses its assets to advance its public benefit mission.

It is one thing to exist for the benefit of the public; it is another to earn the public's trust, which requires ethical leadership and responsible – and responsive – practices. Earning trust requires using contributions wisely, but also demonstrating a commitment to ethical conduct. Donors give to organizations they trust. Volunteers invest their time when they trust that the nonprofit is acting ethically. And clients and consumers will return to a nonprofit for services, and recommend that nonprofit to others, when the nonprofit has shown it is accountable for its actions, transparent in its financial dealings, and responsive when concerns come to its attention.

Practice Pointers

Charitable nonprofits can demonstrate ethical leadership with these practices:

- Define your nonprofit's values. Post them on the website and discuss them periodically with board, staff, and volunteers. Having a code of ethics or statement of values helps attract talented employees, recruit board members, retain donors, and of course ensure that all transactions are aligned with the values of the organization. Here are a few examples if you're looking for something to help spark your thinking:
 - [Our core values](#) (National Council of Nonprofits)
 - [Mission, vision, and values statements](#) (New Hampshire Center for Nonprofits)
 - [Equity Statement](#) (Nonprofit Association of Oregon)
 - [Statement of core values](#) (North Carolina Center for Nonprofits)
- Consider if your nonprofit needs to adopt an equity statement or a position on [diversity, equity, and inclusion](#), and explore ways to build those values into your nonprofit's operations, both internally with board, staff, and volunteers, and externally with the individuals and communities you serve.
- Make sure that everyone (board members included) understands the requirement that charitable nonprofits be operated at all times and in all ways for "public benefit," and that the activities of the organization may NOT "[inure to the benefit](#)" of private individuals.
- Adopt a [conflict of interest policy](#).
- Conduct an [ethics audit](#).
- [Conduct a legal audit](#) (Nonprofit Law Blog) to make sure that your nonprofit's house is in order from a nonprofit corporation law perspective, and to be aware of and follow special state or federal legal requirements that affect the

nonprofit's unique programs and services.

- [Thanking donors](#) in a timely fashion and providing them with substantiation needed to satisfy their own tax filing requirements is not only legally mandated, but ethically appropriate.
- Be cybersecure: Your organization's donors and beneficiaries may be entrusting personal information to the organization. If so, they expect the nonprofit to maintain that information in confidence and take steps to secure personal information. Learn about ways to [protect your nonprofit's data](#).
- Establish internal complaint procedures (such as through a [whistleblower policy](#)) that encourage individuals to come forward with concerns, and prohibit retaliation.
- Respect confidentiality - Nonprofits often engage with clients and consumers in ways that touch on confidential matters. All nonprofits should consider whether adopting a [confidentiality policy](#) is appropriate.
- Follow [environmentally sustainable practices](#) to demonstrate respect for the planet and as a matter of equity.
- Be transparent in all [financial operations](#).
- Practice [ethical fundraising](#).

Additional Resources

- Many state associations of nonprofits promote ethical principles through [Principles and Practices or Standards for Excellence](#) ® tailored for nonprofits in their states, that any nonprofit can adopt to ensure that its practices are ethical and legal in the state(s) where the nonprofit operates.

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