



CONFLICT OF INTEREST

A critical policy for all nonprofit organizations is a Conflict of Interest Policy, which defines the situations in which a conflict of interest must be noted and addressed, and the process in which the organization resolves the conflict of interest. Resolving conflicts of interest are important to ensure that board members are consistent with their duties of loyalty and care owed to the organization.

In the development of such a policy, it is important to make the distinction between a **certain conflict of interest** and the **perception of a conflict of interest**. While organizations must address the real conflicts, they must also manage the perceived conflicts to ensure their organization's credibility and integrity remain strong.

The following specific areas are helpful in the development of a conflict policy.

- 1. *Disclosure of direct or indirect financial interest.*** Board members must disclose the interests in which they receive a direct or indirect financial benefit from their association with the organization. The direct connections are the more obvious, but indirect connections, when a board member may benefit from an intermediary or secondary connection, are also important to disclose. In the policy, board members should be given clear direction on how to disclose their conflict, the level of participation that is appropriate in any conflict decision, and the specific details of when a board member should or should not vote.
- 2. *Disclosure of conflicting organizational interests.*** Some board members serve more than one organization, or may serve a primary organization and be its representative to another coalition group. In such circumstances, board members must disclose the conflicts they have due to their loyalties to another group. These conflicts are most common in the areas of funding, including confidential information about grantmaking groups, donors, and other organizational supporters. The policy should outline the procedure for disclosure and participation in decisions.
- 3. *Anti-nepotism for board members.*** One of the most troublesome aspects of conflict of interest revolves around hiring persons related to board members. If the policy states that the hiring of a person related to a board member requires a vote of the board, it should also prohibit the board member from participating in the discussion or voting. If hiring is a staff decision, the policy should require disclosure of the anticipated hiring to the board and approval by the board (absent the involvement and vote of the related board member) before the hiring occurs.