



Commitment to Integrity

Guiding Principles for Nonprofits in the Marketplace

In their ongoing search to secure sustainable sources of financing, nonprofit, civil society organizations (CSOs)¹ sometimes use social enterprise (i.e., self-financing, commercial or entrepreneurial approaches such as the sale of products or services, investments or other business activities) to generate income. For many CSOs, entering the marketplace means entering unknown territory. By entering the "for-profit world" we not only have a responsibility to carefully manage the risk placed on our valuable financial assets. We also have a responsibility to preserve and protect another asset -- perhaps even more valuable -- our reputations. Understanding the ethical dimensions of our involvement in commercial activities is therefore especially important. As values-driven and mission-oriented organizations, we must be very careful to manage our commercial activities as transparently and fairly as possible, always placing our nonprofit mission and values first. We must maintain the trust placed in us by our constituents and the public at large. Not only for our own individual organizations, but for the civil sector as a whole, maintaining this trust is paramount and should govern all decisions and actions we make in the marketplace.

Commitment to Integrity: Guiding Principles for Nonprofits in the Marketplace, is a set of principles and standards to help CSO leaders recognize and better prepare themselves for the ethical dimensions of entrepreneurial activity and to help ensure that their standards of professionalism are reflected at every stage of business planning and development. These principles were developed specifically to address the self-financing or nonprofit enterprise work of CSOs. There are numerous other more broad codes of ethics, standards and principles that have been developed for both the business and nonprofit sectors generally.

As with all such standards, these guiding principles are self-regulated and are only useful to the extent that organizations apply and respect them.

Mission & Values

A Commitment to Mission & Values

- CSOs must **place their mission above all other considerations**. The profit generated through enterprise activities should only be used to sustain mission-related activities and for reinvestment to build the enterprise itself. Profit should never be distributed to the Board of Directors or personnel of the CSO.
- CSOs should be **socially- and environmentally-responsible** in their enterprise activities. They should neither sell services or products that are harmful to people or the environment nor ally themselves with other organizations that do.
- CSOs should manage their enterprise activities to **simultaneously balance their "social bottom line" with their "financial bottom line."** Although sometimes short-run financial bottom line demands of the enterprise may require decisions that supercede the social bottom line, all business decisions should always ultimately uphold the long-term social objectives of the organization and the integrity of the CSO mission.
- CSOs should **not divert organizational resources** (whether financial or non-financial) away from their mission-related activities in order to develop or operate their enterprise activities.
- CSOs should **never exploit their constituents** to generate revenues for the organization. In all labor practices and in advertising or public relations, the dignity and self-worth of the organization's constituents should be upheld.
- CSOs should **ensure the highest quality standards** in their enterprise activities, recognizing that high quality in enterprise activities can also reflect well on the mission-related activities of the organization.

¹ The term "civil society organization" (CSO) here refers to the wide diversity of not-for-profit, non-state organizations as well as community-based associations and groups which fall outside the sphere of the government and business sectors. These organizations are often also referred to as "nonprofit organizations," "nongovernmental organizations (NGOs)," "charities," "voluntary organisations," etc.

Transparency

A Commitment to Transparency

- CSOs undertaking enterprise activities should maintain **clear financial records** and submit **complete and timely financial reports and statements** for both internal and independent monitoring. Salaries of top management should also be made publicly available.
- CSO enterprise activities should be **documented and be made publicly available**. Reporting should clearly communicate the rationale for the enterprise activity, the nature of the enterprise activity and specify how any revenues from the enterprise were used.
- CSOs should have **accounting that differentiates enterprise activities from program activities** in order to maintain clarity and distinction in financial management.
- CSOs should **pay any taxes and fees due on the revenues generated** for their enterprise activities and adhere to all legal statutes governing these activities. Under no circumstances should CSOs undertake illegal or corrupt practices of any kind.

Fairness

A Commitment to Fairness

- CSOs should **practice fair and inclusive hiring practices** for their enterprise activities, adhering to a strong policy of non-discrimination on the basis of age, gender, race, national origin, mental or physical disability, sexual orientation, and political or religious opinion or affiliation.
- CSOs should **hire employees for their enterprise activity on the basis of their ability and quality of their work**. Nepotism of any kind should be avoided.
- CSOs should provide **access to fair wages and healthy and dignified work conditions** to their enterprise employees.
- CSOs should practice **ethical supplier-vendor decision-making** in their enterprise activities. Estimates from several vendors should be solicited and considered for all major purchases or contracts. Conflicts of interest in contracting of services should be avoided.
- CSOs should only use any tax advantages derived from their nonprofit status to offset the added social and financial costs to their enterprises associated with fulfilling their mission-related activities. CSOs should **never abuse the tax advantages** to gain unfair advantage over business competitors.

Accountability

A Commitment to Accountability

- CSO enterprise activities should **remain legally and ethically accountable** to the CSO in order to preserve the integrity and reputation of the organization.
- CSOs should **gain support from key stakeholders** of the organization from the start of their enterprise activities.
- CSOs' **key decision-makers and statutory bodies** should have an opportunity to share in enterprise decisions that may have significant implications for the mission-related activities of the organization.
- CSOs should be **open to sharing their enterprise experiences** with other CSO peers when it does not threaten the essence of their enterprise activity.

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was developed by NESST in collaboration with the Centre for Nonprofit Management (Slovenia), the Civil Society Development Foundation (Hungary), Lotos o.p.s. (Czech Republic), and Partners for Democratic Change (Slovakia) and with suggestions from other colleagues in Europe, Latin America and the United States. *Commitment to Integrity* is an evolving document intended to be discussed and adapted for use by practitioners. We welcome your comments.

Commitment to Integrity is also available in Spanish (*Compromiso con la Integridad*), Czech, Hungarian, Slovak and Slovene language versions.

The **Social Enterprise Ethics Initiative (SEE INIT)** is an ongoing effort of NESST to address the unique ethical issues of nonprofit organizations as they use enterprise activities to further their mission and/or financial goals. Read more about current SEE INIT activities on the "Furthering the Field" link of the NESST website.

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