

## Ethics, Part 2

Growth, pressure and lack of awareness fuel focus on ethics.

12.01.2005 -

By **Todd Cohen**

The push for tighter nonprofit regulation and greater nonprofit openness and accountability stem from rapid growth in the nonprofit sector, growing pressure to raise money and a long-standing lack of training and awareness of legal and ethical issues, experts say.

With the nonprofit sector doubling in size over the past 25 years, charities have faced growing pressure to raise money, says Diana Aviv, president and CEO of Independent Sector.

"Either as expectations rise, or as needs get defined more vividly or more specifically," she says, "if there isn't enough funding, you will find that those who run organizations will be on a compelling mission to find the resources to fill their coffers."

Expansion of the sector, heightened competition for talented managers, and working relationships with extremely wealthy donors also have fed growth in salaries and benefits at some larger nonprofits, sometimes creating the appearance of an organization "spending too much money on very high salaries at the expense of program investments," says Aviv, who also is executive director of the Panel on the Nonprofit Sector.

The panel has made recommendations on nonprofit regulation to the Senate Finance Committee.

And tax incentives for charitable giving, coupled with regulations that are weak or vague, can lead to trouble from some donors "looking more to benefit themselves than the cause for which they are purportedly giving the money," she says.

Robert Payton, professor emeritus of philanthropic studies at the Center on Philanthropy at Indiana University in Indianapolis, says the sector's ethical problems are rooted mainly in a growing focus on the financial bottom line.

"The principal difficulty is we have come to treat philanthropy more and more as a business," he says. "We've lost a kind of ethical concern that characterized the field in the past."

Graham Phaup, executive director of the Institute for Global Ethics in Camden, Me., agrees the pressure to be more business-like and raise more money can erode ethical behavior and long-term success.

"Rather than being driven simply by the bottom line, you have to be driven by the long-term sustainability of the organization and the fulfillment of its mission," he says. "If you're mission-driven by values, then those values will enable you to survive the crisis that may come if you're simply being driven by the bottom line."

**Next:** *Nonprofits face challenge of knowing the rules.*

---

**Other stories in the series:**

**Part 1: Nonprofits wrestle with ethics**

<http://philanthropyjournal.org/lu.cfm?lu=292>