Ethical and Moral Compass in 2009

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1. ethic (eth’ik) (noun)
   a. A set of principles of right conduct.
   b. A theory or a system of moral values.

2. ethics (used with a sing. verb) The study of the general nature of morals and of the specific moral choices to be made by a person; moral philosophy.

3. ethics (used with a sing. or pl. verb) The rules or standards governing the conduct of a person or the members of a profession.

ethics
The branch of philosophy that deals with morality. Ethics is concerned with distinguishing between good and evil in the world, between right and wrong human actions, and between virtuous and nonvirtuous characteristics of people.

Challenging economic times sometimes precipitate a decline in ethical standards; however, it is important to consider how your actions now may impact your practice for the long term.

During the recent economic downturn, nonprofit organizations and endowments have been questioning whether the asset allocation model works for their portfolios. For example, FundFire completed a market analysis that projects that the 10 largest U.S. endowments may have a total of up to $38 billion in portfolio losses.¹

As nonprofit organizations struggle with the impact of recent market performance on their investment portfolio values, they are also experiencing a possible decline in donations. In looking for opportunities to increase donations and funding from all sources, nonprofit organizations may see their investment consultants as sources of philanthropic giving.

A nonprofit organization that makes gifting a condition for winning its business or continuing an existing relationship creates an ethical and moral dilemma for a consultant.

If a consultant makes a significant donation, questions inevitably arise:
- Is the consultant still in a position to offer unbiased advice for the non-profit client?
- Is the consultant seeking the opportunity to recoup the money spent on the donation or is the consultant serving the financial interests of the client first?
- Is the consultant following the IMCA Code of Professional Responsibility and making the client's goals the highest priority?²

When a financial consultant is asked to make a significant donation to a nonprofit client, the consultant has to consider whether it is “pay for play” and if the request jeopardizes the consultant-client relationship. If the answer is yes, you as the consultant should consider the implications and whether resigning from the account—or walking away from a prospect—is the most ethical solution.

Analyze the situation by asking the following:
- If a consultant does decide to accede to this type of request, does this set an unreasonable precedent?
- How many other clients would experience a similar situation?
- Will this become the expected “norm” for the nonprofit community?
- You may find that the questions become more complex.
- How do you determine a fair and reasonable donation amount and which clients receive donations?
- How do you maintain a profitable relationship?
- How do you assure yourself that you are not buying the relationship?
- Are there other ways consultants can help clients fund development activities without heading down a slippery slope?

In my practice, we have decided not to place ourselves in this ethical dilemma. Consultants need to be mindful of placing themselves in predicaments that may become ethical and moral problems. They need to be focused on keeping the client’s interest first and foremost. What is your policy for these kinds of situations? Would you resign from a multi-million dollar client? If not, are you adhering to the IMCA Code of Professional Responsibility to which all CIMA designees are held?

We consider it paramount that even during difficult economic environments, our members will continue to represent the best in the industry and hold themselves to ethical and professional standards that are beyond reproach.

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Endnotes

¹ Whitney Kvasager, Richest Endowments Face Collective $38B Loss, Fundfire (June 17, 2009), e-mail news@fundfire.com to request a copy of the article.