

Walking by Jean Van Ryzin THE TALK

Organizational Integrity Begins and Ends at the Top

It's with you when you wake up in the morning, and you take it to bed with you at night. Hopefully, you've exercised it all day long. We're not talking about your body or your mind, but about your integrity—the values and priorities to which you hold yourself and your organization accountable every day.

For most professionals in the not-for-profit aging services field, integrity is deeply ingrained in their mission and often strongly rooted in religious faith. It may be tempting to believe that among not-for-profits, integrity is a given. We do good, therefore we are good. But in fact, many leaders believe that to truly ensure corporate and personal integrity, not-for-profit providers must wrestle with and exemplify integrity all day long.

"Not-for-profits, by their very nature, have an obligation to be good stewards of the resources entrusted to their care," says Larry Mabry, executive director of Brittany Pointe Estates, Lansdale, Pa. "And it comes down to leadership—how the board and CEO lead the organization in articulating and following through on its commitments to serve by allocating the appropriate resources for contractual and verbal commitments to residents and employees."

"Integrity is exemplified by people," agrees James Emerson, CEO, Westminster Services, Orlando, Fla. "It's easy to gloat when you see a colleague in trouble and say to yourself, 'I'd never do that.' But it's

a different story when you're sitting in a board room and you see the cash flow is all wrong and you're afraid to say something."

Within an organization, integrity should not "trickle down" from the top but instead travel in a circle, Emerson says. It starts with the board and CEO, goes through the director of operations and department managers and on to employees at every level. But then it comes right back to where it started.

Ethics and integrity mean being honest and true to oneself and to the vision and mission of the organization, Emerson says.

"At the end of the day, you have to believe that you did the best you possibly could and were as fair as you could be with everyone you came in contact with ... while knowing that it's not a perfect world," he explains.

In a perfect world, board members and organizational leaders would all engage in the best possible business practices, always fulfill their roles and obligations and always follow every regulatory rule. They would never enter into a conflict of interest

and never exaggerate one problem while downplaying another. But in reality, these things happen every day.

A Corporate Mirror

It's in instances like these that an organization looks to its leaders, says Mort Swales, co-president/CEO of Front Porch, Burbank, Calif.

"Where do the leaders come down on these issues?" he asks. "That's how you reinforce integrity. You can pay people to do fancy programs and projects and put posters up all around the building, but at the end of the day, did you do the right thing?"

When Front Porch was created six years ago through the consolidation of three large not-for-profit providers, the founders were intent on creating an organization that not only talks about integrity, but lives it every day, Swales says.

"We adopted the tagline, 'Doing good and doing well,'" he explains. "We have three main responsibilities—service, social and fiscal."

For Front Porch, this means having a separate and unique department focused

solely on making sure the organization lives up to its responsibilities. The Organizational Accountability Group, as it's called, reports directly to the office of the president and has a vice president at the helm. Its mission is clear—to constantly monitor and provide feedback on how well the organization is meeting its service, social and fiscal obligations.

"The group serves as a corporate mirror, and we hold the mirror up to ourselves from time to time and see what it shows," Swales says. "If we don't like what we see, it provides the incentive to change."

Each year, the Organizational Accountability Group produces an accountability audit, a public document that details exactly how well Front Porch is living up to its stated responsibilities. The audit is presented to the board and other interested parties along with the financial audit and the governance and management report conducted each year.

"We believe this is the right thing to do," Swales says. "We think that having the not-for-profit designation is a special designation and with it comes an obligation."

With dwindling government and community resources, such forthrightness might become essential to survival as well, he added. "With towns, cities, states and the federal government all facing budget crises and access to funds becoming so competitive, more questions are being raised about what exactly we're doing to justify the privilege that we have," Swales says.

The concept of transparency—the public's right to know how its money (through both donations and tax exemption) is being used—is essential to ensuring a not-for-profit's integrity within the community, advises BoardSource, an organization providing support and resources for not-for-profit boards.

"The public has the right to know whether a nonprofit is well-managed, properly governed and financially secure,

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and whether it abides by ethical standards and values, obeys the law and functions in a productive and resourceful manner," say BoardSource experts in a topic paper on the issue. "Functioning in a transparent manner is key to earning the public's trust. Without trust there are no supporters. Without supporters it is impossible to survive and advance the mission of the organization."

Looking Through an Ethical Lens

Turning the concepts of organizational ethics and integrity into everyday action is an important role for organizational leaders.

"The challenge is to not think of ethics as an add-on," counsels Audrey Weiner, president and CEO of the Jewish Home and Hospital Lifecare System, New York, N.Y., and chair of the AAHSA Commission on Ethics in Aging Services. "Instead, we need to see ethics as one of the many lenses through which we analyze the challenges and opportunities we're faced with every day."

A good place to start is to develop policies and practices to ensure ethical behavior and corporate integrity throughout the organization. A written code of ethics can put into words an organization's standards and expectations as to how employees, leaders and board members should conduct themselves. A procedure

for competitive bids can ensure that the organization is receiving fair value in all transactions. A conflict of interest policy that all board members must agree to in writing can circumvent situations that might lead to the appearance of impropriety.

According to BoardSource, a conflict of interest arises whenever the personal or professional interests of a board member are potentially at odds with the best interests of the nonprofit. An example is when a board member performs professional services for the organization or proposes that a relative or friend be considered for a staff position.



Unity Health System

While these types of transactions may be legal and even may serve an organization's best interests, they are vulnerable to legal challenges and public misunderstanding. "Most conflicts fall into a gray area where ethics and public perception are more relevant than statutes or precedents," says BoardSource.

Employees & Ethical Compensation

The issue of employee pay and benefits naturally comes with an ethical bent. Are providers ethically bound to pay their workers a living wage? And what about adequate health care and retirement benefits?

“Recently, there have been negotiations here in New York around the wages of home care workers,” says Audrey Weiner, president and CEO of the Jewish Home and Hospital Lifecare System and chair of the AAHSA Commission on Ethics in Aging Services. “We struggled with the issues of ethics and budget realities. We came out in support of people earning a living wage and having health care benefits. These are the people we’re trusting with the frailest of our elderly. They deserve a living wage.”


The Jewish Home and Hospital also has struggled with managing increases in health care insurance for employees. “The question is, do we shop for the best deal every year and make people have to change their doctors if we switch to another plan, or do we maintain continuity and increase our share of the cost burden?” she explains. In the end, the system has decided to stay with the same carrier and ask employees also to give a little more for the benefit of keeping their current doctors.

Larry Minnix, AAHSA president, recounted the story of a provider who was considering outsourcing a major service, but the provider balked because one of the ways the outsource company planned to reduce operating costs was to shift his current employees to the outsource company payroll and eliminate benefits.

“He asked himself, ‘How can I say I stand for good health and responsible retirement planning and not offer that to employees?’” Minnix says. “So, he didn’t outsource to that company. He won’t serve one needy group at the expense of another.”

Jim Emerson, CEO, Westminster Communities of Florida, Orlando, Fla., also feels uncomfortable giving top management perks and benefits they’re not willing to share with others.

“I receive the same percentage salary increase as everyone else in the company,” he explained. “My salary is analyzed in terms of how it compares to others in the industry, just as we do for certified nursing assistants.”

As the need for health care workers increases along with the aging population, compensation will undoubtedly continue to be a financial, legal and ethical issue for not-for-profit providers well into the future. 



Ideal Senior Living Center

Many leaders believe the best solution is to limit, or better yet, prohibit board members from doing business with the organization and require all members to disclose potential conflicts. Members should recuse themselves from votes on issues where they may have a conflict.

“We have a simple rule of no self-dealing,” says Swales of Front Porch. “No board members do business for the company. Management handles the daily running of the organization, and the board sticks to policy issues and issues of managing risks.”

“I believe you need to resign from

the board if you want to do business with the organization,” says Mabry.

“You can recuse yourself, but that puts a different burden on your peers.”

Beginning the Conversation

Just as important as committing an organization’s ethical beliefs to paper is having conversations about integrity, says Weiner. “You have to have people model these decisions,” she adds.

How do you get the conversation going? Emerson breaks the issue down into four areas, and provides a list of questions to prompt discussion:

The concept of transparency—the public’s right to know how its money (through both donations and tax exemption) is being used—is essential to ensuring a not-for-profit’s integrity within the community.

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denial and isolation get us into trouble,” Minnix says. “An attitude of humility, a climate of openness, an unwavering commitment to honesty, an objective of authenticity and dynamic alignment of values keep us out of it.” ¹⁷

Jean Van Ryzin is a Maryland-based freelance writer and a frequent contributor to health-care and senior-care publications.

Mission Statement

- Are we fulfilling our promises and commitments?
- Are we operating within the boundaries of our mission?

Board of Directors

- Is management honoring the role of the board of directors?
- Is management providing accurate and adequate reporting?
- Is management withholding unpleasant or undesirable information?
- Is our auditing firm adequately reporting to the board?
- Is the selection and retention of members and officers appropriate?
- Are potential conflicts of interest appropriately disclosed and honored?

Regulators

- To what extent do we communicate and follow the “intent” of regulations?
- What is the degree of accuracy in our communications?
- Is management reporting adequately and honestly?
- How is our integrity reflected in our cost reports?
- What are appropriate attitudes we express toward or about regulators?

Legal Obligations

- Are we appropriately honoring contracts with residents and vendors?
- Are we honoring donors’ wishes?

- How are we communicating integrity in this litigious environment?

These questions are not all-inclusive, but they offer a place to begin, Emerson says: “I believe that we become what we think about. If we think about what is good, fair and just, then that is what we will become.”

Staying Out of Trouble

The good news is that the vast majority of not-for-profit aging service providers are leaders in integrity within their communities. They were founded to serve people and fill needs, and desire to do the right thing.

“I’ve worked with troubled facilities for 30-plus years and have conducted autopsies on hundreds of communities,” Emerson says. “I’ve seen them at their worst, and I can’t think of more than five where individuals committed outright fraud.”

“My impression is that when members get into trouble,” AAHSA President Larry Minnix says, “it fundamentally involves what Sydney Finkelstein says in his book, *Why Smart Executives Fail*: flawed executive mindsets, delusional attitudes, communications that filter only what top people want to hear and leadership qualities that keep executives from correcting their course.”

“In short, pride, ego, arrogance, fear,

Resources

Both AAHSA and BoardSource have many resources for not-for-profit organizations looking to develop and put into place ethical practices and procedures.

From www.boardsource.org:

- *Governance & Accountability: A Board Member Special Report*
- *Managing Conflicts of Interest: Practical Guidelines for Nonprofit Boards*

From www.aahsa.org:

- The Ethics Resource Center Package: *National Business Ethics Survey—2003, Creating a Workable Code of Ethics—Second Edition, and Truth and Trust*
- *Assuring Quality in Assisted Living: Guidelines for Federal and State Policy, State Regulation, and Operations*
- *Self-Assessment for Nonprofit Governing Boards—User’s Guide and 15 Questionnaires*

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