

## SERIES No. 3: CONFLICTS OF INTEREST

## FACILITATOR GUIDE



VIEW • INSPIRE • ENGAGE

"We don't want anyone suspecting us of taking one penny of this money for ourselves. We're being as careful in our reputation with the public as in our reputation with God."  
*2 Corinthians 8:20-21 – The Message*

Thank you for serving as the facilitator for "Conflicts of Interest," the third toolbox in our *ECFA Governance Toolbox Series*. This Facilitator Guide provides three discussion directions, plus several ideas and tips for facilitating your board's conversation on three critical questions about board and organizational conflicts of interest.

**ECFA Governance Toolbox Series No. 3 includes:**

- 1 DVD (16 minutes)
- 12 Board Member Read and Engage Viewing Guides
- 1 Facilitator Guide

**Before the board meeting:**

View the DVD and select one of the three suggested discussion directions. Allocate time in the agenda for this governance life-long learning experience (preferably near the beginning of the meeting). Pre-screen the DVD before the meeting to be sure the AV equipment works.

**During the board meeting:**

Build the core value for being a "learning organization" and help your board model that value to your staff and volunteers. As a Christ-centered ministry, encourage your board members to pray for discernment and leverage their spiritual gifts as they address this critical (and sometimes uncomfortable) topic.

Use a variety of adult learning methodologies (more interaction, fewer talking heads) as you inspire your board members to engage in this process. (See the suggestion for creating groups of two.)

**After the board meeting:**

Ask your note-taker to summarize the group's flipchart bullet points and then delegate Action Steps to the appropriate committee or task force. Email periodic reports to board members, especially when you "catch" a board member modeling what he or she learned. You will enhance future engagement in life-long learning when your board connects the dots between theory and practice.

May God bless your facilitation efforts, and may He grant your board wisdom and discernment as you focus on this very important governance best practice.

**Dan Busby**  
 President  
 ECFA



### OPTION 1: 30-45 minutes

**VIEW:** Screen the entire video without stopping and ask board members to follow along in the *Board Member Read-and-Engage Viewing Guide*.

**INSPIRE:** After viewing the video, divide the board into four groups and assign one page of worksheet questions to each group (pages 9, 11, 14, and 17). Then ask each group to discuss their answers.

**ENGAGE:** Now drill deeper and—going in order around the room—ask each board member to “Stand and Declare” by completing this statement: “I believe we need to be more effective with \_\_\_\_\_ because \_\_\_\_\_.” Bullet point each comment on the flip chart and ask the appropriate committee to evaluate and prioritize possible Action Steps (see page 18).

### OPTION 2: 45-60 minutes

**VIEW:** Stop the video at the end of each question and ask board members, on their own, to complete the related worksheets in the *Board Member Read-and-Engage Viewing Guide* (pages 9, 11, 14, and 17).

**INSPIRE:** After viewing the entire video, divide into groups of two and ask each group to write down at least three “Action Steps” (see page 18) for the appropriate committee to consider.

**ENGAGE:** Ask each group of two to report on their Top 3 Action Steps recommendations. Write the Action Steps on a flipchart or whiteboard—and then assign next steps to the appropriate committee. (Or take 30 minutes more for straw votes on top priorities.)

### OPTION 3: Board Retreat /2-Hr Board Development Session

**VIEW:** Stop the video at the end of each question and ask board members, on their own, to complete the related worksheets in the *Board Member Read-and-Engage Viewing Guide* (pages 9, 11, 14, and 17). Optional: Before viewing the video, ask board members to complete the “Self-Assessment” on page 9.



**The Invisible Gorilla:** The video includes a short basketball scene and the unlikely brief appearance of a gorilla! If you have the time and Internet access, you may prefer to stop the ECFA video and show the original “gorilla” video first (View at: [www.theinvisiblegorilla.com](http://www.theinvisiblegorilla.com). Reminder: don’t alert the board to the “gorilla” scene!)

**The Big Idea:** “We are blind to the obvious and blind to our blindness.” So...are we also blind to our own board and organizational conflicts of interest?

**INSPIRE:** At the end of the video, divide into three groups (one for each question) with pre-selected facilitators. Inspire board members to discuss best practices for avoiding “Trouble! Trouble! Trouble!” with related-party transactions. Next, identify what Action Steps (page 18) would be helpful in the next 12 to 18 months.

**ENGAGE:** Ask for reports from each group and prioritize the recommendations. Seek consensus on the Top 3 Action Steps. Observe which board members have high passion for this task and inspire them to serve on a task force to evaluate the suggested tools and address the Action Steps.



### BONUS IDEA: Role Play the Diverse View Points of Spike, Patricia, Jameel, and Emelia!

#### In-the-Trenches Board Interviews:

*“There’s an Elephant in the Room—But Let’s Just Keep the Peace!”*

Here’s a bonus idea using the four “board member interviews” in the video (see page 8). Ask four people (or four teams) to expand on their unique viewpoints—and then role play those views further.

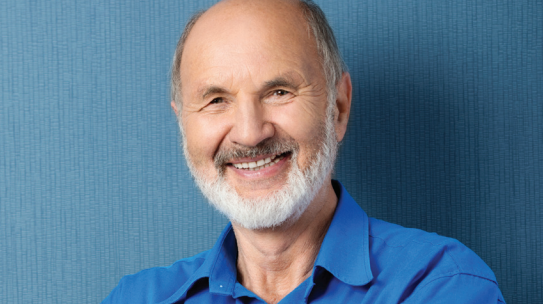
**SPIKE:** Justifying his conflict of interest by pointing fingers at others.

**PATRICIA:** Reluctant to address the elephant in the room, but finally does (outside the boardroom).

**JAMEEL:** “Policies should never trump relationships.”

**EMELIA:** Unclear about conflicts of interest (perhaps never received a board member orientation).

Role playing these four characters will help move the board from theory to reality. Many people learn by doing, so this could be a memorable exercise for some. (Consider putting these on video for your next new board member orientation session.)



**QUESTION 1: What is a conflict of interest—and what do you mean by the appearance of a conflict of interest?**

Caution! It's possible that this exercise will reveal one or more previously undisclosed related-party transactions. As facilitator, you will need wisdom and grace. Consider distributing the "Board Prayer" (see the back page of this *Facilitator Guide*) and ask each board member to read a section out loud at the beginning of your session.

- ☐ Review pages 9-13 of the *Viewing Guide*, including the definition of a "conflict of interest" on page 10.
- ☐ Determine if your ministry has a written policy on "Conflicts of Interest and Related-Party Transactions" per the Self-Assessment questions on page 9. (If so, provide copies for the board.) If not, download the template from ECFA (see the back page of this *Facilitator Guide*).
- ☐ Read ECFA Standard 6 and note its emphasis on intent and integrity (page 7).
- ☐ Read Chapter 13, "Avoiding Trouble," from *TRUST: The Firm Foundation for Kingdom Fruitfulness*.
- ☐ View the video and resources on "The Invisible Gorilla" at: [theinvisiblegorilla.com](http://theinvisiblegorilla.com).

**QUESTION 1: INSIGHTS**

- ☐ 1. Inspire the board to see the value of honoring God and protecting His reputation. (Read the three verses noted on page 7.)
- ☐ 2. Discuss the potential damage and immeasurable grief that could happen when you give inadequate attention to conflicts of interest.
- ☐ 3. Use the "gorilla" video to help the board understand why we are "blind to the obvious and blind to our blindness." (Note the "blind man on a galloping horse" metaphor on page 6.)
- ☐ 4. Point out the four diverse opinions from the "In-the-Trenches Board Interviews." Are any of the responses in alignment with ECFA Standard 6?
- ☐ 5. Highlight one or all four scenarios on page 11 and/or add a more relevant scenario for your unique situation. Invite the board to share their insights, based on Scripture and ECFA Standard 6. Ask: "Are we borrowing trouble anywhere?"



**QUESTION 2: What are the options when boards are faced with potential conflicts of interest and related-party transactions?**

- ☐ Review pages 14-15 of the *Viewing Guide*.
- ☐ Re-read "The Front Page Test" on page 10 from *Board Member Orientation: The Concise and Complete Guide to Nonprofit Board Service*. (Ask another board member, in advance, to research and share recent news stories for examples of "The Front Page Test.")
- ☐ Select your favorite board governance book and, consulting the index or the table of contents, review the author's insights on conflicts of interest and related-party transactions.

**QUESTION 2: INSIGHTS**

In your discussion of Question 2, be prepared to give practical examples of the "3 Paths for Related-Party Tests."

**Does the proposed transaction pass the related-party transaction tests?**

☐ **PATH 1: NO**  
**DO NOT APPROVE TRANSACTION**  
Many proposed related-party transactions are obvious and not appropriate. Just say no!

☐ **PATH 2: YES**  
**APPROVED**  
Some related-party transactions can be approved, as long as appropriate disclosures are made.

☐ **PATH 3: YES**  
**BUT...NOT APPROVED OUT OF AN ABUNDANCE OF CAUTION.**  
In this case, the proposed transaction does pass the related-party test, but should not be approved, perhaps because of "The Front Page Test" and other considerations as spiritually discerned by the board.

**"A transaction that is not made in the best interest of the ministry is unethical at best and illegal at worst."**



**QUESTION 3: Is it ever appropriate to enter into a business transaction with an insider—and, if so, what policies should guide that action?**

- ☐ Review pages 16-17 of the *Viewing Guide*.

☐ Even if your ministry already has a written policy on "Conflicts of Interest and Related-Party Transactions," it's helpful to review your document annually. Compare it with the sample policies provided by ECFA (see the back page of this *Facilitator Guide*).

☐ As the facilitator, you may need to educate your top leader, senior team, or other board members on why it's prudent to invest time on this topic—and to keep "The Front Page Test" always in mind. As Peter Drucker famously said:

**"Fortunately or unfortunately, the one predictable thing in any organization is the crisis. That always comes."**

**QUESTION 3: INSIGHTS**

☐ 1. Many organizations provide a "crisis card" for staff to carry in the event of a serious crisis. YoungLife distributes a wallet-size "Accident/ Incident/Emergency 24-hour Response Procedure" card to all staff and key volunteers in the U.S.

Perhaps the four-point steps on page 16 should be laminated for easy reference at your board meetings?

**4 STEPS FOR "INSIDER" RELATED-PARTY TRANSACTIONS**

- ☐ **STEP 1: EXCLUDE**
- ☐ **STEP 2: COMPARE**
- ☐ **STEP 3: DETERMINE**
- ☐ **STEP 4: DOCUMENT**

☐ 2. If, per the gorilla video, board members are "blind to our blindness," and if, per Richard F. Capin on page 17, leaders have "adopted earth's values and allowed those values to cloud their judgment"—then how will your board recognize and address conflicts of interest?

☐ 3. Ask the board to quietly reread "A Board Prayer" and then, around the table, ask each person to read the one sentence, out loud, that nudged him or her the most.



## ONLINE RESOURCES

❏ Visit the **ECFA Governance Toolbox resources website** for more resources and book recommendations:  
[www.ecfa.org/Content/Governance-Toolbox-Series-3](http://www.ecfa.org/Content/Governance-Toolbox-Series-3)

### INTRODUCTION & VIDEOS:

**Book:** *Trust: The Firm Foundation for Kingdom Fruitfulness*, by Dan Busby

**Standards:** *ECFA's Seven Standards of Responsible Stewardship™* – Visit [www.ecfa.org/Content/Standards](http://www.ecfa.org/Content/Standards)

**Video & Resources:** *The Invisible Gorilla* video – Visit [www.theinvisiblegorilla.com](http://www.theinvisiblegorilla.com)

**Book:** *The Invisible Gorilla: And Other Ways Our Intuitions Deceive Us*, by Christopher F. Chabris and Daniel Simons

**Book:** *Owning Up: The 14 Questions Every Board Member Needs to Ask*, by Ram Charan

### QUESTION 1: Conflicts of Interest

**Download:** “A Board Prayer” by Dan Bolin

**Download:** “Conflicts of Interest Policy Samples” (11-page document from the ECFA Knowledge Center)

**Book:** *Board Member Orientation: The Concise and Complete Guide to Non-profit Board Service*, by Michael E. Batts

**Download:** Chapter 13, “Avoiding Trouble,” from *Trust: The Firm Foundation for Kingdom Fruitfulness*, by Dan Busby

### QUESTION 2: Three Paths for Related-Party Transactions

**Book:** *The Nonprofit Board Answer Book: A Practical Guide for Board Members and Chief Executives* (Third Edition), published by BoardSource – See Question 54.

**Book:** *Serving as a Board Member: Practical Guidance for Directors of Christian Ministries*, by John Pellowe (Note: about five percent of this book relates to Canadian law.)

### QUESTION 3: Four Steps for “Insider” Related-Party Transactions

**Book:** *Best Practices for Effective Boards*, by E. LeBron Fairbanks, Dwight M. Gunter II, and James R. Cauchenour

**Book:** *Pursuing God's Will Together: A Discernment Practice for Leadership Groups*, by Ruth Haley Barton

### BONUS RESOURCES

Bonus resources from the first two ECFA Governance Toolbox Series are posted on hidden webpages at:

No. 1: Recruiting Board Members

[www.ecfa.org/Content/Governance-Toolbox-Series-1](http://www.ecfa.org/Content/Governance-Toolbox-Series-1)

No. 2: Balancing Board Roles

[www.ecfa.org/Content/Governance-Toolbox-Series-2](http://www.ecfa.org/Content/Governance-Toolbox-Series-2)

## ACTION STEPS FOR OUR BOARD

### PRIORITIZING YOUR ACTION STEPS:

**“Just because something is strategic does not necessarily mean it is God’s will for us right now.”**

Ruth Haley Barton  
*Pursuing God's Will Together*

Peter Drucker said, “Vision without execution is delusion.” John Maxwell adds, “Dreams don’t work unless you do!” So be sure to invest time in discerning what your Action Steps should be for addressing board and organizational conflicts of interest.

The best boards take responsibility for their own board development—they don’t delegate governance work to the CEO or the staff. So think creatively how you will implement what you’ve learned from this *ECFA Governance Toolbox Series*.

❏ **Step 1: Three Flip Chart Pages.** Post a flip chart page in three corners of the room (one per question). Then list the action steps suggested on the appropriate flip chart pages.

❏ **Step 2: Vote for the Top 3 on Each Page.** Ask each board member to visit the three corners and, with a marker, place checkmarks by his or her Top 3 Action Step choices on each page. (For each question, each member can cast up to three votes on any one action step, or split his/her votes: 1, 1, and 1; or 1 and 2 votes, etc.)

❏ **Step 3: Total the Votes.** Add up the votes on each of the three pages—and then circle or highlight the Top 3 proposed Action Steps for each of the three questions.

❏ **Step 4: Delegate the Plan.** Now with this draft consensus from the board, delegate the work to the appropriate committee (or a short-term task force). Agree on a deadline for a report or recommendation.

❏ **Step 5: Pray for God’s Wisdom.** Continue to pray for wisdom as you spiritually discern how to write (or revise) and implement your policies on conflicts of interest and related-party transactions.



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