How to create your ethical fundraising policy – a step by step guide

How you identify risk and align leadership in the development of an ethical fundraising policy will be individual to your organisation.

The following is a step-by-step guide to help with the task of unifying a range of diverse perspectives, ideals and ambitions into a single policy document. It draws on a change model designed by John Kotter, a professor at Harvard Business School, aiming to secure cross stakeholder buy-in and support.

1: Decide who will be the "leader"

The leader or coordinator will prepare, initiate and manage the process – they need to be sufficiently well-placed to access senior managers and a wide range of stakeholders. This will ensure the policy they develop is well-rounded in terms of input and buy-in and has enough support when it comes to the implementation stage.

2: Research the scope

Ethical fundraising issues are not limited to corporate funding relationships. They span across all areas of fundraising from events and direct-marketing, to trusts, major gifts and high-profile patronage. It could also extend to your overall partnerships, marketing relationships and the decisions you make about sourcing expertise and your supply chain.

The project leader will need to familiarise themselves with the broader picture of the ethical fundraising risks in the arts and charity sectors, and then start to identify risks which are specific to their particular organisation. Initial key decisions will need to be made, for example, is this just an ethical fundraising policy or does it extend to wider issues of ethics within your organisation.

The media is a great source of information on fundraising ethics as charities are under continual scrutiny by the public, which expects non-profits to 'be good' as well as to 'do good'. Beyond the public domain, the policy leader may look to larger charities for support and guidance – charities that have more and higher profile funding partnerships, and which are likely to have ethical fundraising policies in place to help them protect their reputations.

These organisations may make their policies publicly available via their websites or be willing to share them on a confidential basis on request. Closer to home, the policy leader may undertake a preliminary evaluation of any potential ethical fundraising risks within its existing network of donors, prospects and partners.

3: Identify stakeholders

The ethical fundraising policy is about balancing reputational risk with funding needs. Given this, there can be wide networks of stakeholder groups that need to be consulted. These may include:

- The Board of trustees, which is ultimately accountable for governance and the creation of the policy
- If the organisation has a major statutory funder (e.g. DCMS or Arts Council England) they are stakeholders that may require sight and input in the drafting of the policy
- Artists, musicians, volunteers and staff including key departments such as public relations, marketing, finance and commercial
- Charitable beneficiaries

- Future beneficiaries
- Current and prospective funders and donors
- Partner organisations
- Sector representative bodies, for example, the Museums Association or the Association of British Orchestras

4: Kick-start the process by creating a forum (or forums) where risk is raised and potential solutions discussed
The policy leader might start the development process by generating a conversation or conversations with stakeholders about what is happening and the direction that the organisation could take. This is a key moment to get buy-in because if the project leader can communicate the idea that future success **depends** on managing risk, this will be a powerful motivator in getting stakeholders on board.

The policy leader may at this point highlight the inherent reputational risks of fundraising from a range of sources and how an inadequately-considered funding relationship could have a high cost, not only in reputational damage, but also in the loss of support from other donors, loss of volunteers, external partners or even staff. If the policy leader can offer a solution that will help identify and manage ethical risks, it is likely that support for its development and implementation from stakeholders will follow.

Of course, the discussion in relation to risks should be balanced with the financial needs of the organisation and its requirements for fundraising and stakeholders should recognise that the resulting policy must be pragmatic in allowing the organisation to raise appropriate funds.

5: The leader writes an articulation of the policy and why it is important
The policy leader has now put ethical fundraising on the agenda with a range of stakeholders and discussed potential solutions with them. It's now time to put this on paper with an articulation that reflects back to stakeholders what has been discussed and agreed in terms of a need for a policy and an outline of the things that it will contain. This will serve as a reference point to highlight the premise of the policy and will help move it along if it gets held up – drawing on organisational values.

6: The policy leader communicates this message and asks for representatives within the organisation to form a 'coalition' group to draft the policy
Ideally a small group of up to six people will come together to represent the main stakeholder interests. The coalition needs to identify the general ethical risks (such as ensuring money isn't accepted from criminal sources) and then consider areas of potential risks in a more targeted way, in relation to the organisation's mission, location, beneficiaries and values. This could, for example, include identifying which local companies have been the subject of criticism within the immediate community, and which national (or international) companies may have a risky overlap with the charity's mission, for example, partnership with a company that has a poor track record on child-labour could be an ethically risky partnership if your organisation prides itself on its work with young people.

Each policy will be uniquely based on an individual organisation's mission and values. If, for example, your organisation has decided to set an ambitious target to cut its emissions in response to climate emergency, it may need to reassess partners and prospects in relation to this. If your organisation supports those who are vulnerable to substance abuse such as ex-offenders, homeless, or disadvantaged young people, they may need to consider which types of events and donors might be risky e.g. partnership with an alcohol manufacturer, or even a Pub Crawl fundraising event, may be an ethical risk.

Setting the context that due consideration of risks needs to be balanced with the overall requirements of the organisation to fundraise to achieve its vision, mission and a sustainable future is important.

7: The coalition group drafts a headline policy

The policy needs to draw in all the risks identified and set out a course for how to navigate them. The charity's purpose is ideally central within the document as the fundamental rationale behind the ethical position that it defines. The policy will make clear the risk associated with each kind of fundraising activity that the organisation actively pursues, including business partnerships. A position on any 'unsolicited' donations that fall into these risk categories can be evaluated in the same way.

The policy may even go so far as to say which types of relationships it will preferentially seek support from, on the basis of innovation, good track-record, or ethical excellence. Other areas to cover include a note on who is responsible for upholding the policy, updating it and activating it.

Key points to remember when accepting donations from any source are:

*   Any association should be <u>defensible</u> – it should be understandable and fully explained.
*   Organisations must retain artistic <u>autonomy</u>.
*   Ethical policies must be <u>clear</u> but shouldn't needlessly rule out potential supporters.

Organisations need to decide whether taking on a funding relationship will not only further an organisation's artistic cause, but also whether it can genuinely stand up against its <u>core values</u>.

8: The leader gets agreement for the policy from stakeholders

This penultimate step is about testing and strengthening the policy. The policy leader will convey the policy to the wider stakeholder group and invite feedback. John Kotter calls this "inviting in the lions", because the document will be now be exposed to criticism. However, the purpose of this step is to refine the policy and incorporate feedback to improve it.

If stakeholders raise challenges or disagree, the coalition group will need to make sure it understands all their viewpoints. Make **mutual understanding** your goal. Most people reject ideas out of fear. Use open questions to find out what the underlying fears are and find out what your stakeholders would ideally want to make them more comfortable with the solution. This will help ensure disagreements don't escalate or block the finalisation and implementation of the policy.

Talk through the pros and cons separately with individuals, and then together as a group. You may need to re-assert the need for the policy again as you did in step four, but this time in a way that responds to particular, personal concerns. The purpose of the policy is to benefit the whole organisation, and not to impose one particular viewpoint. So, in this step, don't become overly invested in one particular outcome, instead, embrace your stakeholders' input, it means they are engaged. Focus on finding solutions and use input to test and strengthen the policy.

9: The coalition communicates the final policies to the organisation

Having garnered and incorporated feedback from your stakeholders, the leader can create a final draft and communicate it with the wider organisation. They may invite questions of clarification and set out a system of implementation.

Once the policy is 'live' this doesn't take away the need for case-by-case evaluation of risk and benefit, but it does help the organisation to focus energy in a way that is aligned to its values, and ensures that it is able to make decisions from a position of strength, based on pre-agreed organisational values, rather than looking to particular individuals in the organisation to respond in an ad-hoc way on the immediate concern of the moment, such as spontaneous donor interests or difficult financial pressures.

As part of the policy's implementation system, the leader should set out a review procedure. Fundraising ethics is a rapidly changing field and it is not realistic for one organisation to anticipate all possible areas of current and future risk at the time of the policy development. Therefore, a policy review process needs to be place. This could, for example, mean that the ethical policy coalition group meets every six months to discuss arising ethical considerations that are of current concern in

the media and amongst public opinion, as well as any complaints or issues that have arisen from the organisation's staff, audiences or funders. The coalition could also agree to meet on an ad-hoc basis whenever needed, to respond to arising ethical issues within the organisation.

What to do if a crisis happens…

You may ask yourself what to do if your organisation's policy doesn't adequately mitigate risk and the worst happens – your organisation is defamed in a negative media article for accepting money from sources that compromise the values of your beneficiaries, or your fundraising practice has upset the communities that you exist serve.

If this happens, there are steps you can take, and it can be a chance to show good leadership. Overreaction can worsen the situation, so it may be that you **don't respond.** This can limit the attention an article gets. In the background you can concentrate on communication with your key relationships, seeking advice from peers and funders and preparing counterpoints for addressing queries. You could **contact the reporter.** If the story is factually incorrect you can call and request a correction to be issued. **You could issue a public response that defends the position**, especially if you believe that the crisis is juxtaposed to a well thought through strategy. Any public statement, such as a news release, should directly address only the issues put forward in the original article in a factual, non-emotive and balanced style. This will let the facts speak for themselves and hopefully won't add fuel to public debate that could reinforce negative perceptions.

Once the immediate crisis is dealt with, the ethical policy leader and coalition will need to assess if what happened was an ethical fundraising risk that could occur again, and if so, incorporate lessons into the policy. The policy coalition may once again return to step four and create a forum for stakeholders where risk is raised and potential solutions discussed. The organisation may also need to reconsider who is involved in the coalition, and question whether the policy, policy implementation and policy review process needs to be adjusted to avoid and manage future risk.

Where can I look for more information?

The Institute of Fundraising provides information on ethical fundraising and offers some more comprehensive guidance on corporate relationships.

Arts Fundraising & Philanthropy publishes regular blogs on ethical fundraising issues and has developed elearning materials on fundraising ethics.

The majority of fundraising organisations, including the UK's leading charities and arts organisations, treat their ethical policies as confidential business information. However, some do publish their policies online and this can help demonstrate ethical commitment to beneficiaries and help ensure policies are upheld. Some examples to look at include: [Amnesty UK](#) [British Lung Foundation](#), [The British Library](#) and [Mind](#).