

Business Skills in the Social Sector

[NESsT Promotes Business Ethics in the Field of Social Enterprise](#)

NESsT Promotes Business Ethics in the Field of Social Enterprise

Whether viewed from the perspective of a for-profit venture or nonprofit social enterprise, today's business landscape requires that enterprises address stakeholder demands for greater transparency, accountability and responsibility. In the wake of recent corporate scandals, the private sector is grappling with regulatory reform, adopting more responsive forms of corporate governance, and re-examining the ethical basis of corporate values, policies, and practices. As reported in the Summer 2005 issue of [Business Ethics](#) magazine, companies are turning to a rapidly expanding number of consulting firms, advisory services, publications, tools, and other resources in the field of business ethics. In business schools nationwide, business ethics is surfacing as an area of significant emphasis in classrooms and research centres. Here at Fuqua, two centres are addressing the research and education needs of ethical corporations and leaders: the [Fuqua / Coach K Center for Leadership & Ethics](#) and the [Duke Global Capital Markets Center](#).

The nonprofit sector has also come under increased public scrutiny as the IRS and Congressional committees have investigated ethical lapses in governance, fundraising, and other practices. Drawing upon recommendations made in recent hearings, Independent Sector has developed a ["Checklist for Accountability"](#) which lists actions every charitable organization can take to strengthen transparency and accountability. An earlier code of ethics and accountability pioneered by the Maryland Association of Nonprofit Organizations is being replicated by partners in seven other states, including [North Carolina](#). Based on the core values of honesty, integrity, fairness, respect, trust, compassion, and responsibility, the Maryland [Standards for Excellence](#) serve as a model of how well managed and responsibly governed nonprofits should operate.

Despite these advances, there have been few attempts to address ethical challenges faced along the blurring boundary between the private and social sectors as nonprofit organizations increasingly turn to social enterprise to generate income and produce social and environmental value. Anticipating the need to maintain the trust of social sector stakeholders, the [Nonprofit Enterprise and Self-sustainability Team \(NESsT\)](#) has drawn upon best practices in both sectors to develop the first "code of ethics" designed to help social enterprise leaders recognize and better prepare for the unique ethical challenges of entrepreneurship in the nonprofit sector.

Principles and Standards for Social Enterprise

Through its Social Enterprise Ethics Initiative, NESsT aims to promote greater accountability and transparency in the social enterprise field. NESsT has [published "Commitment to Integrity: Guiding Principles for Nonprofits in the Marketplace" \(.pdf document\)](#) to help ensure that standards of professionalism are reflected at every stage of social enterprise business planning and development.

As NESsT points out in its declaration, entering the marketplace via social enterprise means entering



unknown territory for many social sector organizations. "By entering the 'for-profit world' we not only have a responsibility to carefully manage the risk placed on our valuable financial assets. We also have a responsibility to preserve and protect another asset -- perhaps even more valuable -- our reputations. Understanding the ethical dimensions of our involvement in commercial activities is therefore especially important. As values-driven and mission-oriented organizations, we must be very careful to manage our commercial activities as transparently and fairly as possible, always placing our nonprofit mission and values first. We must maintain the trust placed in us by our constituents and the public at large. Not only for our own individual organizations, but for the civil sector as a whole, maintaining this trust is paramount and should govern all decisions and actions we make in the marketplace."

The NESsT Commitment to Integrity identifies principles and standards in the areas of mission and values, transparency, fairness, and accountability. For example, under the "Commitment to Mission and Values," the declaration states that social sector organizations:

- must place their mission above all other considerations
- should be socially and environmentally responsible in their enterprise activities
- should manage their enterprise activities to simultaneously balance their "social bottom line" with their "financial bottom line"
- should not divert organizational resources (whether financial or non-financial) away from their mission-related activities in order to develop or operate their enterprise activities
- should never exploit their constituents to generate revenues for the organization
- should ensure the highest quality standards in their enterprise activities, recognizing that high quality in enterprise activities can also reflect well on the mission-related activities of the organization

NESsT Encourages Wide Distribution of "Commitment to Integrity"

NESsT developed "Commitment to Integrity" in collaboration with colleagues in Europe, Latin America and the United States. This code of ethics is an evolving document intended to be discussed and revised for use by social enterprise practitioners and donors. NESsT distributes the document free of charge -- they ask only that users quote and cite NESsT accordingly. [Versions](#) are available in French, Hungarian, Portuguese, Russian, Slovak, Slovene, Spanish, and Urdu, with other translations forthcoming. NESsT welcomes all [comments and suggestions](#).

About NESsT

The Nonprofit Enterprise and Self-Sustainability Team ([NESsT](#)) was established in 1997 to help civil society organizations worldwide develop alternative financing mechanisms. The organization has helped more than 500 social change organizations apply entrepreneurial approaches to create a sustained base of financial support. NESsT pursues its mission through traditional approaches such as training and peer learning, and innovations such as a nonprofit venture capital fund and a global, on-line shopping portal designed to enable social enterprises to reach a wider consumer market for selling their products and services. In 2004, NESsT was recognized as a recipient of the Skoll Awards for Social Entrepreneurship. Through its flagship award program, the [Skoll Foundation](#) supports social entrepreneurs who are using innovative approaches to address pressing social issues.