

Board Confidentiality and Organizational Transparency Both are Vital for Organizational Effectiveness

For an organization to be effective, its board, governing officers, and executive staff must conduct themselves so as to meet the expectations of operational transparency to stakeholders and maintain confidentiality of information in order to foster a culture for good decision-making.

Board members sometimes conflate and confuse confidentiality and transparency as two important, but seemingly opposite values. Nonprofit organizations are expected to function in a transparent manner, but conducting business requires maintaining confidential information for legal and effectiveness reasons.

It is important to understand the difference between the two terms and how they relate to each other.

Transparency is the disclosure of information to the public and supporters to indicate the organization is managed well, functions in an ethical manner, and handles its finances with efficiency and responsibility. It's part of a board's duty of obedience.

Confidentiality is the obligation and right not to disclose information to unauthorized individuals, entities, or processes if it would harm the organization, its business relationships, or an individual. It's part of a board's duty of loyalty.

Board members generally understand that its stakeholders - its clients/members, the government, the service sector - want and expect transparency from our organizations. And to this end, the new IRS Form 990 asks for more and more disclosure, e.g. *How much does your CEO make? How do you arrive at your officer compensation decisions? How often have you amended your bylaws? Do you have X, Y, and Z policies?* – the new 990 raises expectations that all information is fair game for public knowledge.

But transparency does not, and should not, extend to boardroom decision making. Board discussions are confidential. Period. Even public organizations subject to sunshine laws have exceptions for topics of extreme confidentiality such as legal and personnel issues. Your board should have a rigorous confidentiality policy to which board members agree and adhere without exception.

Why is confidentiality so critical? Board members must feel at liberty to express their ideas and opinions in an open and welcoming atmosphere, and nothing chills candor like the fear that one's words will be repeated (or worse, misquoted) outside the boardroom. The only way your board can transform your organization is if it feels free enough to discuss the big, audacious issues...to dare to dream...and to challenge each other's assumptions about how much you can achieve.

Stated another way – A strict adherence to transparency and disclosure ensures that your board is firmly grounded in compliance with the law, while a culture of confidentiality ensures your board has the freedom to tackle the tough issues so it can rise to new heights.