

Nonprofit Ethical Case:

# **THE DEVIL WEARS PRADA**

## **Socialite is Served - with Justice**

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# Summary

Founded in 1958, Helpers Community Inc. (formerly known, until last year, as the Helpers of the Mentally Retarded) has recently been put under scrutiny by The SF Chronicle for soliciting charitable funds in the fashion business, but not directing those funds to their charitable mission. Joy Venturini Bianchi has been a long standing figure among the city's elite and solicits donations from fashion icons, philanthropists and politicians for her organization. The SF Chronicle investigation revealed that indeed funds were being mishandled and not going to the cause they advocated for.

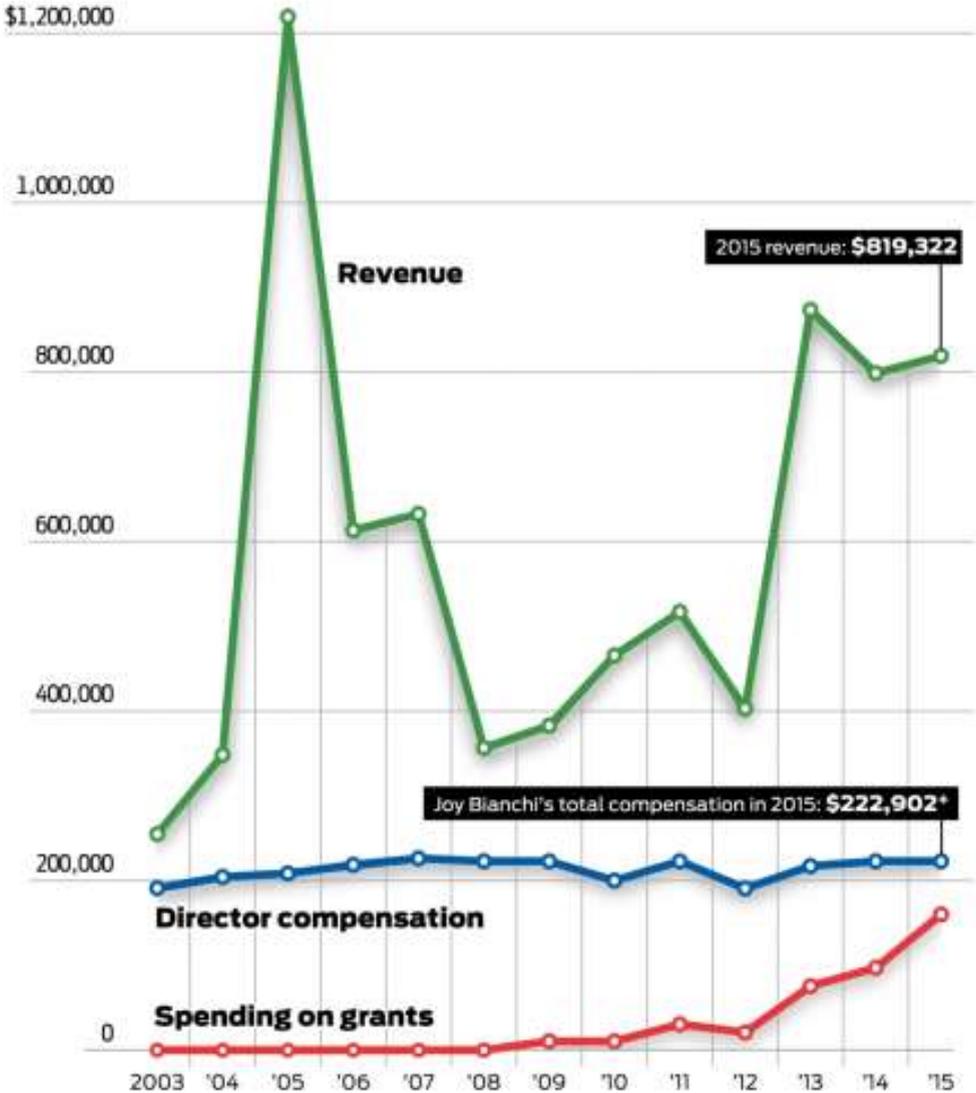
# Meet Joy!



What do you think? Is she guilty or misunderstood?

# Let's Get to the FACTS

**Helpers Community Inc.:**  
**Generous donors, minimal charity**



\* Total compensation is base plus deferred

Sources: Helpers Community Inc. IRS 990 forms

Todd Trumbull / The Chronicle

- The organization: Helps Community Inc. \$6 million charity
- Joy Venturini Bianchi, Executive Director annual compensation: ~ \$200,000
- Shops for luxury clothing, resells at Helper's Community's "boutiques"
- Gave little to nothing to charitable causes for over a dozen years
- lives lavishly among city elites and attends red-carpet galas and fashion events
- Bianchi was pushed out of the organization mid-2017
- Organization is now trying to actually do good and work behind the cause

# Compliance

- This organization's Board of Directors failed to establish appropriate procedures in ensuring compliance for both of their legal and ethical policies.
- Conflict of interest was a regular practice by the fact that the Executive Director as a voting member, she was able to approve her own personal financial expenditures.
- Lack of compliance by the Board of Directors and the Executive Director regarding their fundraising activities and acceptance of public contributions.
- No legal advisors on record.
- Failed to comply with Federal, State and local tax requirements.



# Individual Responsibility

- The unethical abuses perpetrated by the Executive Director of Helpers Community Inc. created a sensational scandal and the news media exposed this unethical behavior. This case is indicative of how the head of this organization lacked a deep commitment and adherence of Helpers Community Inc. mission and vision.
- The mismanagement of the organization's finances, an ineffective operational structure, conflict of interest and lack of accountability from the Director's perspective, violated the trust of those members of the community that most needed the services. Maybe Joy Venturini Bianchi should not be the only one to be singled out. During her tenure did she demonstrate inexperience in running a well-established nonprofit? What were her clear performance objectives, and strategic direction.
- Perhaps along the way, Joy Venturini Bianchi felt more comfortable being part of the community of powerful movers and shakers and political scene. Always needing to be in the limelight of the social scene, she lost her ethical principles, moral values and judgment.

# Organizational Responsibility



- There was a lack of organizational structure. The chain of command for decision making was loose, if existent at all. This lack of a distribution of power allowed Joy Bianchi to continue what she was doing.
- Some donors struggled with concerns and doubts. When these issues were raised, they were never resolved by organization. Some donors stopped supporting the organization as well.
- Failure to protect the organization's reputation, which led to a damaged credibility of their services and lack of trust by the general public.
- The Board defended the organization alongside Joy. The organization's small board consisted of the director, Bianchi, and a longtime friend. The Board may have been ill-informed and ignorant of their specific roles in the organization.

# Systemic Responsibility

- Executive Directors and other high-level leaders of an organization tend to feel a sense of entitlement towards an organization. This is healthy when in the best interest of the mission and values of the organization. However, this could also create an excessive false sense of individual perceptions of entitlement, like in the case of Joy Bianchi.
- The organization had a lack of accountability across the Board. The staff and volunteers may not have had clear and sufficient understanding of their roles. There is a lack of understanding of this accountability, be it financial or administrative, as required in specific roles, all across the sector.

# Stakeholders Analysis

- Direct Consequences
  - Donors feel betrayed and there is a lack of trust.
  - People who are supporting the organization are seen as complicit, even if not
  - Key donors pulled their funding once the SF Chronicle investigation was published and it will take a lot of work on behalf of Helpers Inc. to earn their trust back
  - The community that is supposed to be served by Helpers Inc. is being neglected
- Indirect Consequences
  - Potential donors should ask questions and ask to see documentation from the organization to make sure everything makes sense
  - Fashion industry suffers a stereotype that people who are interested in fashion are self-interested and nothing else
  - Entire nonprofit sector suffers from abuses of power such as Joy's.
  - Lack of faith in the Attorney General's Office and IRS for not investigating



# Alternative Solutions

- Need to have a website at least because it promotes transparency and accountability.
- Always try to avoid friends being on the board together, when possible. If not possible, make sure the relationship remains professional by allowing a balance of power among the board. More than just two people should be making and checking decisions in an organization. Create as many checks and balances as possible.
- A remedy would be to hire a consultant, apologize, and agree to pay back all of the misused money. Additionally, Joy should take a pay cut and help pay back the money owed for charitable purposes.
- This went on for a long time, so if someone grows suspicious (previous employees and donors) they could and should file a complaint with the IRS and AG Office.

# Questions



## 1) Personal (Leadership):

–What were the best qualified characteristics that Joy Venturini Bianchi possessed as the Executive Director? In what ways did she have integrity?

## 1) Organizational (nonprofit)

–What actions should have been taken by the Board of Directors to address the unethical practices exposed by the San Francisco Chronicle.

## 1) Systemic (sectors)

–An organization’s leaders often develop a sense of entitlement to the organization. When does it become unhealthy for the organization, and how do we keep this in check?

## 4) Ethical Theory (perspective)

–Considering that the stakeholders came from fairly wealthy backgrounds, how does that change your perspective in this incident as an ethics issue?  
–Which normative leadership theory best applies to Joy Bianchi’s leadership? How did the adoption of this theory allow her to cast shadows?

## 5) Stakeholder (perspective)

–Since Bianchi’s departure, Helpers Community Inc. has disbursed \$1 million worth of grants to several Bay Area nonprofits serving the elderly and disabled, but is it enough to gain back the trust of their lost donors, or is it too little too late? Do you believe in the sincerity of their desires for a “new direction” as an organization considering that Peggy Bachecki is still running the board? (stakeholder)

# Resources for Nonprofits in a Similar Situation

- LegalCorps - Free legal counsel <http://legalcorps.org/nonprofit-organizations>
- Nonprofit Resources <https://www.nonprofitready.org/>
- How to Create a Free Website: <http://www.webs.com/>
- Schnackenberg, Andrew & Tomlinson, Edward. Organizational Transparency: A New Perspective on Managing Trust in Organization-Stakeholder Relationships. SAGE Journal: Journal of Management 42, no.7 (March 10, 2014): 1784-1810. Retrieved from <https://doi.org/10.1177/0149206314525202>
- Property Tax Exemption Information for Nonprofit Organizations. California State Board of Equalization Presentation: [http://www.boe.ca.gov/info/VirtualSeminars/nonprofit\\_prop\\_tax\\_exemption.html](http://www.boe.ca.gov/info/VirtualSeminars/nonprofit_prop_tax_exemption.html).

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