Nonprofit Ethical Case:

WOUNDED WARRIOR PROJECT: Using Veteran Pain for Executive Gain
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NPA 601: NONPROFIT ETHICAL LEADERSHIP
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Prof. Marco Tavanti. Ph.D
Introduction

• Background and Overview
• Video
• A dualistic presentation of the “facts”
  • Spending
  • A strong for-profit structure and metrics
  • Leadership
• Responsibility Analysis
• Questions
Video Introduction

CNN Wounded Warrior Project Exposé
Summary

• In January of 2016, the Wounded Warrior Project (WWP) became headline news with the allegations of improper handling of its financial resources.

• Because military service is considered one of the highest forms of public service in the United States, public resentment and outrage quickly grew.

• Many disgruntled past employees came forward in various media publications making allegations of:
  – lavish spending
  – coercive leadership
  – wrongful termination
  – low program quality due to high productivity standards
The Media’s Role in the Controversy

- The media created the narrative that WWP was capitalizing on veteran pain
- Publications highlighted past employee stories (most of whom were wounded warriors themselves) and utilized these stories as facts, potentially ignoring vital information for the sake of a good story
- Numerous credible sources (nonprofit management professors, nonprofit executives, etc. offered alternative viewpoints on the controversy) attributing the scandal to prevailing/outdated beliefs regarding how the nonprofit should operate
Unpacking this Case

• Taking a holistic approach to studying this case, we will consider both the facts presented by the media and alternative viewpoints.
• Through this lens we will further examine three “problem areas”:
  – Spending
  – Focus on metrics
  – Leadership style
Spending

- Overhead: 61%
- Program: 39%
## The Facts: Examining the 990’s

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<td><strong>Total Revenue</strong></td>
<td>$18,634,714</td>
<td>$40,943,594</td>
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<td><strong>Conferences, conventions, and meetings</strong></td>
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Prevailing Beliefs: Fundraising Overhead

Discussion Question: What are the prevailing beliefs surrounding Fundraising Overhead?
TED TALK, Dan Pallotta
## Considering the alternative viewpoint

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For-profit structure and a focus on metrics

- Wounded Warrior Project executives use data to measure staff productivity.
- The metrics are intended improve efficiency and help fundraising.
- Some staff assert however that productivity goals are set too high and program quality has eroded.
Metrics and Program Effectiveness

• The *Warriors-to-Work* program is designed to provide one-on-one counseling to improve résumés and interview skills in order to help veterans find employment.

• Connection programs are designed to provide therapeutic and social events for veterans to come together and enjoy events in their communities.
Prevailing Beliefs

The public expects nonprofits to deliver on services, which is a good thing! Veteran services are a competitive area of the nonprofit sector. Delivering high metrics kept WWP competitive and provided the public proof of service delivery.

- WWP reports a high number of veterans
- Employees and the media report a decrease in program quality

Who do you believe?
Leadership

• WWP has a strict stance towards employees considered disloyal or unproductive.

• Eighteen former employees (many who are veterans) claimed they had fired for missteps that were categorized as insubordination.

• Many claimed that when they raised questions regarding WWP practices, that they were promptly fired for being disloyal.
Alternative View: Employee Termination

- Professor Doug White - former Director of the Masters of Science in Fundraising Management Program at Columbia University - created a comprehensive report questioning the media’s report on WWP’s firing practices
  - Employees were part of a Facebook group where they collaborated with the intention of delegitimizing WWP
  - No wrongful termination suits were filed with the AG or the EEOC
Responsibility Analysis

Considering the dual viewpoints presented in this case study, we will examine:

- Individual Responsibility
- Organizational Responsibility
- Systemic Responsibility
First: Were there issues of compliance?

• On their 990’s, WWP reports the existence of a *Whistleblower Policy* intended to protect employees who report or take issue with company practices.
  – According to personal report, employees were fired for questioning executive’s decisions.
• WWP claims that some employees who claimed wrongful termination were non-compliant in regards to financial and company policies (making their termination credible).
Individual Responsibility

• Leadership:
  – If disloyalty and insubordination were real and valid causes of termination, executive and program leadership had an individual responsibility to create an environment where loyalty was bred.
  – Challenges and concerns should have been welcomed and addressed by immediate supervisors and run up the chain of command.

• Spending:
  – CEO Steve Nardizzi needed to prioritize mission activities over retreats, conferences, bar-tabs (?)

• Metrics:
  – CEO Steve Nardizzi needs to find other ways measure the impact and reassess productivity standards as they started to affect program quality
Organizational Responsibility: Board of Directors

• Board of Directors: The Board is responsible for approving the budget related to fundraising, travel, conferences, etc.
  – The Board needed to diligently investigate comparable organizations in order to determine the budget for the above categories.
  – If the Board felt that CEO Steve Nardizzi was improperly using funds, they are in charge of investigating.

• Leadership and employees needed to be made aware of the whistleblower policy and it needed to be honored
Systemic Responsibility

• Beliefs surrounding nonprofit sector expectations and practices are in dispute.
• As a sector, many are moving to a for-profit model, like WWP
  – They proved successful in increasing their donations and revenue by doing so
• The public is very adverse to people making money off of others pain, so
  when scandal broke regarding “lavish and wasteful” spending the
  organization was crucified.
• The systemic beliefs discourage high overhead and spending, even if
  revenue quadruples overtime, giving more funds to mission activities.
• The sector is changing but the public’s expectations are not.
Stakeholders Analysis

- Veteran’s received a lower quality of service due to metrics.
- Organizational staff (often veterans), were hired by WWP and then fired for questioning authority.
- Veteran pain was used for corporate gain, further invalidating and devaluing their experiences as wounded warriors.
- Accusations of misuse of donor dollars will decrease donations in the future, ultimately affecting veterans.
- Corporate Social Responsibility suggests that scandal within one organization affects the public’s trust of the nonprofit sector as a whole, meaning that whole sector will be affected by this controversy, in particular veterans charity organizations.
So What Happened?

• After the scandal broke, the board fired CEO Steve Nardizzi and COO Al Giordano.
• WWP had a third party examine their finances and argued that they have always been transparent on their tax forms.
• Senator Chuck Grassley’s office conducted an investigation of WWP
• WWP held numerous press conferences defending their practices, and defended themselves against specific remarks made by CBS and the New York Times.
• Changes in spending practices are to be seen on the coming years 990 tax form.
Questions

1) What was the media’s role in this case?
2) Given that disloyalty and insubordination were consistent problems that led to employee termination, what leadership style(s) could have been used to create an environment/culture that bred loyalty and integrity?
3) Other than metrics, what are ways that the organization could have measured impact and ensured quality programs and services?
4) After such a public scandal, should the board reevaluate itself and its effectiveness? Should it consider a change of membership and officers?
5) What type of accountability can the board institute amongst each other and the next CEO?
6) Does there need to be a shift in beliefs surrounding how nonprofit organizations should be behave and operate? What are the costs and benefits of shifting to a more for-profit model?
Resources

• Jim Collins, author of Good to Great and the Social Sectors, leadership articles.
• Dan Pallotta, TED Talk ‘The way we think about charity is dead wrong’
• Simon Sinek, TED Talk ‘Why good leaders makes you feel safe’
IRS. (2016, October 10). Form 990. IRS.