UNIVERSITY OF SAN FRANCISCO | School of Management

MASTER OF NONPROFIT ADMINISTRATION

Change the World with Nonprofit Leadership
usfca.edu/mna

Nonprofit Ethics Case
Group: Lense Eshete and Elizabeth Silva
NPA 601: Nonprofit Ethical Leadership
Prof. Marco Tavanti, Ph.D.
Fall Semester / 2017

1. Title: Creating Lemonade out of Lemons

This case study focuses on United way and the crisis they endured in 1992. Even though they had many issues they needed to address, in the end, they were able to take their challenges and make the best situation out of them.

2. Summary

In February of 1992, United Way was put under scrutiny after the Washington Post and Regardie's Magazine published an article claiming misconduct by William Aramony, the president of the organization. The claims included issues of mismanagement, a yearly salary of $463,000 with benefits, inappropriate use of funds for travel and personal use (i.e. chauffeurs and expensive condos), hiring friends and family, and the creation of for-profit umbrella companies.

On the day the exposé was released, the Senior Vice President sent a memorandum to the chief officers and directors of United Way. It included the article and talking points in an attempt to be responsive to the concerns of key audiences involved (i.e. contributors, volunteers, staff, the public, and media). There was also a telephone line set up to allow for questions. Ultimately, United Way took immediate action to mitigate national criticism.

One caveat to United Way's response however; was that the organization fully believed in "innocent until proven guilty". At the beginning of the scandal, United Way's chief officers and directors stood by Aramony in light of the allegations. Soon though, the organization initiated their own investigation of Aramony's conduct, and found the allegations of his behavior were entirely true. The Senior Vice President updated local United Way chapters with new information as it came out along with guides on how best to respond. United Way was then prompt in forcing Aramony to resign, and attempted to find a respectable replacement. Furthermore, the nonprofit fully disclosed events to the public and media, and reformed their ethics policy to prevent similar cases in the future.

3. **Applications**

This case study is a great example of how nonprofits should deal with crises. It also serves as a cautionary tale. The situation advises current nonprofits on organizational credibility, transparency issues, ethical procedures of managers, conflict of interest policies, and setting appropriate guidelines for managers. This case can be applied both in the nonprofit and for-profit fields as it brings awareness to lack of oversight in large corporations.

4. **Outcomes**

The main learning outcome from this case is that trust is difficult to gain but easy to lose. This case study clearly outlines the necessary steps United Way had to take to slowly regain back their credibility. It shows us the importance of having detailed ethical procedures with a checks and balances system within the organization. This way there is a board to oversee and hold the top executive accountable.

5. Video

https://www.youtube.com/watch?v=hgqQLTXRSXE (Video starts at 4:08-5:00)

6. **Description**

Founded in 1887, United Way was created with the mission of providing support and important services to the community. The services include providing job training and placement, literacy programs, substance abuse counseling, and crisis intervention. The United Way of America (UWA) is the national service and training center for community-based United Ways. This national branch serves as a support system for the local branches, and does not raise or distribute any money.

On February of 1992, William Aramony, the president of United Way, was accused of financial mismanagement. His leadership style as well as the conduct of the organization was scrutinized. Five things in particular that were questioned were the overall management of United Way of America, Aramony's yearly salary, the use of United Way Money for travel and personal discretion, hiring practices, and the creation of "spin-off" companies that were created for profit.

In order to deal with public concerns, both the national and local chapters reacted right away. The Senior Vice President for corporate communications, Sunshine Overkamp, sent a memo keeping all the local United Way chapters across the country informed about the crisis. He updated local chapters about new information and guidelines on how to respond to questions from the public. He also set up a group of individuals that were specifically allocated to answer questions about the scandal. In addition, Aramony was asked to resign from his position, and a temporary President was placed.

In order to prevent similar situations in the future, Overkamp reformed the organization's ethical policies to add more structure. Overkamp put new procedures in place in an attempt to slowly gain the credibility and trust that the organization had lost. Moreover, he held a 3-day annual conference where he invited local representatives to give their input. Additionally, he offered local United Way directors seats on the organization's board. Overkamp cut funding for United Way International, one of Aramony's for-profit ventures, to prove that United Way is *not* United Way International.

In order to deal with the crisis, local chapters also had their own way of dealing with the disaster. Many chapters made fact sheets, which distanced their local branch from the national organization. In addition, several branches refused to pay the national dues until changes took place, and were satisfied with the investigation of the national headquarter. Some considered changing their names, and many were able to find leaders of prominent organizations to send out letters and encourage employees to continue supporting the local United Ways.

One year later, the organization had completely transformed. Even though the organization was not able to get all their credibility back, they were on a good path to regaining trust. The Board of United Way of America had expanded and included local United Way chapters. Also, volunteer oversight committees were created in order to regulate the national organization. To bring stability to the organization, a new permanent president was appointed--- a former director of the Peace Corps. During this time, the organization's new objective was to restore confidence, institute accountability, and ensure quality management was being provided. United Way ultimately banned first-class travel for UWA officials.

William Aramony was convicted in 1995 of defrauding United Way of America $600,000, and received 7-years in prison. He then sued United Way for pension benefits and was awarded 4.4 million dollars. United way then sued him, claiming that 2.02 million dollars would cover the salary and other funds he received while stealing from the organization-- which they won. In 2001, the Court of Appeals ruled that Aramony was not entitled to the remaining 2 million dollars, and cut his retirement award to just $8,000.

7. Questions

Question 1: Had United Way included a conflict of interest policy in their bylaws, do you think this scandal was preventable?

Question 2: Was the UWA wrong to stand behind Aramony at the beginning of the scandal? Do you think this stance caused further damage to the organization's credibility?
Question 3: Why do you think the board was unaware of Aramony's misconduct?
Question 4: What would your first steps be as the new President of United Way?
Question 5: Do you think United Way took the appropriate steps in regaining back their credibility?
Question 6: What would you have done differently?

8. **Resources**

1. https://www.unitedway.org/
2. T. (2017, February 26). 10 Charity Scams You Need To Know About (Covenant House, United Way And More). Retrieved October 23, 2017, from https://www.youtube.com/watch?v=hgqQLTXRSXE
3. Anon, (2017). [online] Available at: http://prpractices.com/retired-Cases/Standards,%20Ethics,%20and%20Values.pdf [Accessed 23 Oct. 2017].