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Nonprofit Ethics Case

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1. Title

A Surprising Comeback: The Scandalous Fall and Unlikely Rise of the Central Asia Institute

2. Summary

This case study will examine the unethical behavior of the Central Asia Institute (CAI) under the guidance of founder Greg Mortensen. After attempting to summit K2, the second tallest mountain in the world, Mortenson wrote *Three Cups of Tea*; the founding tale of the CAI which was inspired by his time in Northern Pakistan and the surrounding region. Mortenson founded the 501(c)(3) charity in an effort to build schools for young villagers and, "To promote education and livelihood skills, especially for girls and women, in the remote regions of Afghanistan, Pakistan, and Tajikistan" (Guidestar, n.d.).

After receiving critical acclaim, including becoming a New York Times Bestseller, *Three Cups of Tea* and the Central Asia Institute raised millions for the cause - or so it seemed. Upon examination, it was discovered that a great deal of Mortenson's inspirational story was exaggerated if not completely falsified. Further, Mortenson was using funds intended for the nonprofit for book tours, advertising, and personal expenses. Mortenson drew widespread criticism and was forced to step down and pay a fine. Yet, nine years after this corruption was exposed, CAI is still operating as a "top-rated" nonprofit.

3. Applications

Transparency

The case of Greg Mortenson and the CAI shows the necessity of transparency within nonprofit organizations and amongst their leaders. In 2011, it was acknowledged that in its 14-year history,

the organization had only undergone one financial review (while receiving multi-millions each year) (CBS News, 2011). Further, Mortenson was not transparent with his use of funds; finances raised for the nonprofit were used for personal expenses and “according to documents, the non-profit [spent] more money domestically . . . than it [did] actually constructing and funding [schools] overseas” (CBS News, 2011).

Nonprofits, as tax-exempt organizations, have an obligation to be open and honest with the public. Donors give under the impression that funds will be used for the public good and in accordance with an organization’s mission. Ethical leaders must be transparent.

Accountability

This case study illustrates that nonprofit leaders have an obligation to their constituents and must be held accountable for unethical behavior. Greg Mortenson intermingled personal interests with those of the nonprofit he founded. As a result, the Montana Attorney General investigated his actions and mandated he be removed from his leadership role and pay a fine. Supporters of nonprofits donate time and money with the expectation that their offerings will aid the nonprofit’s mission. Deceitful actions, such as those of Greg Mortenson, create public distrust of the sector. When nonprofit leaders do not act in the best interest of the organization, they must be held accountable.

Responsibility

Although this case largely focuses on Greg Mortenson, it overlooks the leadership practices of the CAI’s Board of Directors. As nonprofit board members hold fiduciary responsibility, the CAI board members were legally responsible for the actions of the organization and its founder. Complaints were eventually made by former donors and board members that led to widespread backlash and repercussions; however, it took 11 years for these complaints to surface (CBS News, 2011). Nonprofit leaders, including boards of directors, must ensure nonprofits are operating in accordance with the law and in furtherance of their mission.

Another element of responsibility present in this case is the importance of donor research. Before one donates to a nonprofit, they should adequately research the organization before offering support.

4. Outcomes

Storytelling is one of the most powerful tools we have in the nonprofit industry. We use stories to demonstrate success, connect with supporters and share our mission with our communities. Ultimately, authentic and truthful storytelling shows credibility and leads to public trust. One of the most detrimental outcomes of this case is the public’s mistrust in Greg Mortenson’s storytelling. Despite the fallout, Mortenson claims that many of the events he wrote about in *Three Cups of Tea* are true and valid; however, he has lost his credibility as an authentic storyteller. Of course, misuse of funds to promote book sales and other personal expenses is extremely harmful to the Central Asia Institute as an organization as well. Current donors are unlikely to give again if they are unsure where their contributions are going, and possible future donors will be skeptical.

Finally, fundraising for international aid is already difficult due to donors not being able to see firsthand the merits of their support. Whenever there is a case of misuse of funds in international development, the public backs away from international aid. Public trust and maintaining

authenticity and credibility are all imperative for the nonprofit industry's success and Mortenson's behavior undoubtedly has had an impact.

5. Videos

- CBS News interview with Greg Mortenson:
<https://www.youtube.com/watch?v=dIFukcr0jBk>
- 60 Minutes Interview:
https://www.youtube.com/watch?v=Gw4HS_E7Yss

6. Description

The Central Asia Institute (CAI) presents an interesting case study in ethics for nonprofit organizations, both for the spectacular nature of its fall from grace and for its quiet but thorough comeback.

Initial Acclaim

In 1993, an American mountaineer named Greg Mortenson began to do volunteer work in small villages in the mountains of northern Pakistan (Central Asia Institute History, 2014). In 1996, he incorporated CAI as a nonprofit, receiving 501(c)(3) status in 1997. Mortenson's mission was to expand opportunities for villagers, and girls and women in particular, in isolated parts of Pakistan, Afghanistan, and Tajikistan (Guidestar, n.d.). CAI encouraged self-sufficiency, with a focus on education and life skills.

In 2007, CAI achieved widespread recognition thanks to Mortenson's book published that year, *Three Cups of Tea*. The book, which described Mortenson's personal journey on the road to founding CAI and its ongoing work, was a big hit, spending over 220 weeks on the New York Times bestseller list (Schuessler, 2011). According to *Three Cups of Tea*, Mortenson began this line of work by building a school in a village that had nursed him back to health after a failed attempt to summit K2. After building one school, he saw the need for doing such work on a massive scale and, according to his book, CAI went on to build 77 more schools over the next 15 years (Goddu, 2009). Perhaps the height of Mortenson's acclaim was his nomination for the Nobel Peace Prize by a bipartisan group of United States Congress members in 2009 (Ronnow, 2009).

Scandals Emerge

The run of good publicity ended in 2011. First, the CBS investigative news program "60 Minutes" aired a segment accusing Mortenson of fabricating CAI's inspiring origin story, as well as running CAI incompetently if not corruptly. More detailed accusations came soon after in an e-book by the independent journalist and mountaineer Jon Krakauer, whose *Three Cups of Deceit* quoted CAI's treasurer describing the organization as Mortenson's "personal ATM" (Krakauer, 2011, as cited in Schuessler, 2011). Krakauer similarly discovered that CAI's moving foundational story was simply not true: although Mortenson did build a school in the small Pakistani village mentioned in *Three Cups of Tea*, his first trip to Korphe was a year after his summit attempt (Krakauer, 2011). When discussing the book, a man who accompanied Mortenson on K2 stated, "if you go back and read the first few chapters of that book, you realize, 'I'm being taken for a ride here'" (CBS News, 2011). Furthermore, CBS News found, "Upon close examination, some of the most touching and harrowing tales in Mortenson's books appear to have been either greatly exaggerated or made up out of whole cloth," including being kidnapped by the Taliban (CBS News, 2011). It would eventually be revealed

that Mortenson mismanaged over \$60 million including directing the spending of \$4.93 million of CAI's money to promote the book and another \$3.96 million to buy copies of it, even though the organization was not a beneficiary of the sales (Florio, 2012).

An avalanche of negative news coverage followed the CBS and Krakauer reports. In Montana, where CAI was and continues to be based, the state Attorney General initiated a criminal investigation (CBS News, 2011). In 2012, Mortenson settled the state charges by reimbursing CAI over \$1 million for organizational funds he spent promoting his book. He also agreed to resign as executive director, relinquish any financial oversight over CAI, and refrain from serving as a voting member of any charity's board of directors in the future (Florio, 2012). Relin, Mortenson's co-author, committed suicide in 2012; his widow told an interviewer that the scandal over the book had contributed to his depression (Heard, 2012).

An Unlikely Comeback

Even in the deepest depths of scandal, though, there were signs that CAI might yet have a future ahead of it. The New York Times columnist Nicholas Kristof, in a 2011 op-ed column addressing the scandal and admitting to deep disappointment with Mortenson, nevertheless affirmed that "Greg was profoundly right about some big things" (Kristof, 2011). Kristof recalled visiting some of CAI's schools, which "felt like some of the happiest places in Afghanistan," and closed his column by lauding CAI's donors, if not Mortenson himself, for partnering with Afghan villagers to "build a better world" (Kristof, 2011).

CAI's leadership seemed to share Kristof's relatively forgiving attitude: despite Mortenson's obviously damaged reputation, the organization kept him on its staff after the Montana Attorney General's settlement removed him from his post as executive director. Then-acting director Anne Beyersdorf told the press that Mortenson was CAI's unofficial "chief inspiration officer" and expressed hope "that he will be able to be back in the public eye" after a civil lawsuit against him had concluded (Florio, 2012). That lawsuit was soon dismissed by the presiding judge (Volz, 2012).

Kristof's striking optimism in the face of CAI's scandal would prove prophetic. Some nine years after the scandal broke, CAI appears to be alive and well. In its 2018 federal tax filing (the most recent available), the organization reported \$2.9 million in revenue and \$8.8 million in net assets (Central Asia Institute, 2018b). Its annual report for 2018 reported 22,586 donations from 7,735 donors, raising a total of \$2.29 million (Central Asia Institute, 2018). The organization told NBC in 2014 that its donations were down about 80%, yet in May 2015 it was reporting a fundraising "rebound" that included winning back 1,270 donors who had walked away after the scandal ("Three Cups" author Greg Mortenson, 2014) ("Three Cups" Author's Nonprofit Reports Fundraising Rebound, 2015).

Strategies for Survival

How did CAI survive its fall from grace? First, it embraced financial transparency as quickly as possible following the Montana Attorney General's investigation. Anne Beyersdorf, Mortenson's successor as executive director, hired an independent auditor, rewrote the organization's policies on corporate credit cards, and expanded the size of the voting board of directors (Florio, 2012). The organization boasts of a wealth of endorsements from watchdog organizations: it is accredited by the Better Business Bureau, has three stars from Charity Navigator, rated "platinum" by GuideStar, and either "top-rated" or "top-ranked" by CharityWatch, GlobalGiving, and GreatNonprofits (Central Asia Institute, 2018a). The annual report notes overhead costs of just 17%, breaks down CAI's

overseas spending into eight separate categories and includes side-by-side financial statements for 2018 and 2017 (Central Asia Institute, 2018a).

Secondly, Mortenson may have helped set the stage for CAI's recovery with a public act of contrition, and later by making himself scarce. In January 2012, he gave an interview to NBC's Tom Brokaw in which he acknowledged that he "let a lot of people down" and "failed in many ways" ("Three Cups" author Greg Mortenson, 2014). "Chief inspiration officer" or not, Mortenson retired from the board of directors in 2015 and has now been largely scrubbed from its website; there are a couple of internal pages that refer to him, but they can only be reached through some in-depth Googling, rather than through links on the homepage (Thompson, 2015).

Writing in the New Yorker in 2011, Peter Hessler criticized a mode of outsider-led development that puts a single, charismatic, Western protagonist at the heart of its story: Mortenson made himself "the hero of his books," even though he "shows no special knowledge of Pakistan or Afghanistan", Hessler writes (Hessler, 2011). Whereas CAI once thrived based on its connection to its larger-than-life founder, it may be that severing ties with him is what has allowed the organization to survive.

7. Questions

- I. Do you believe Mortenson's original intent was malicious or just careless? Is one worse than the other?
- II. Should Mortenson be allowed to continue to work with the Central Asia Institute in any capacity? What about with similar organizations?
- III. What price did other individuals at the Central Asia Institute pay for Mortenson's behavior? Do they continue to pay this price?
- IV. What key steps does the Central Asia Institute need to take to overcome this and regain the public's trust?
- V. How do you think this type of misuse of funds influences other international aid/development organizations?
- VI. What is the best way for other international aid/development organizations to distance themselves from this story? What steps can they take to maintain their own credibility when this story is in the press?
- VII. Can relying solely on one single leader put nonprofit organizations in compromising positions? What are some ethical steps an organization can take to balance the need for a charismatic leader while maintaining a broader organizational image?

8. Resources

- <https://centralasiainstitute.org/about-us-central-asia-institute/>
- <https://centralasiainstitute.org/central-asia-institute-financials/>
- <https://www.cbsnews.com/news/questions-over-greg-mortensons-stories-19-04-2011/>
- <https://www.newyorker.com/news/news-desk/what-mortenson-got-wrong>
- <https://www.jonkrakauer.com/books/three-cups-of-deceit-tr>
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