Nonprofit Ethics Case: Wounded Warrior Project
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Wounded Warrior Project: Using Veteran Pain for Executive Gain
An ethical case study examining scandal through systemic, organizational, and individual lenses

Summary

This case study examines the Wounded Warrior Project (WWP) controversy that emerged in January 2016 regarding financial mismanagement. This study will examine three main areas; high fundraising overhead, a strong for-profit structure with a focus on metrics, and employee termination and turnover. This study analyzes the actions taken by WWP amid the scandal, and the and individual, organizational, and sector-wide response.

In order to fairly analyze this case, this study will discuss the predominant beliefs related to the nonprofit sector and provide commentary on how these views played into the WWP controversy. Lastly, this study will provide a critical analysis of what was reported by the media versus what took place in order to provide a full and clear picture of the scandal.

Applications

Analyzing the leadership practices and conduct displayed by the organization will uncover how, why, and if the organization's morals and ethics disintegrated over time. Examining and categorizing the organization's leadership styles and practices will provide information regarding organizational culture and conduct. This study will examine fundraising overhead and examine how this relates to ethics. Additionally, this case study will explore the difference between the nonprofit sector and the for-profit sector and how WWP's strong for-profit structure may have resulted in some ethically questionable decisions and practices. This case will examine individual, organizational, and system-wide ethics as related to practices and ethical theories.

Outcomes

1. How for-profit standards can be both harmful and helpful to a nonprofit organization
2. How to define success in the for-profit sector
3. Fundraising Overhead, industry standards
4. Ethical leadership; what leadership styles were WWP using and what styles would have worked better?
5. The individual, organizational, and systemic factors that contributed to this scandal
6. How the media plays a role in uncovering and defining scandal

Video

This video shows the original news report from CBS that broke the WWP scandal.

Background and Programs

The WWP was formed in 2005 (IRS, 2016) with the mission t*o honor and empower wounded warriors*. The organization has grown massively, expanding nationwide and growing their revenue to $321,807,428 in 2016. They provide one-to-one service to military families that were active on or after September 11, 2001. Their programs cover a variety of different areas, such as Mental Health Support, Health & Wellness, Career & VA Benefits Counseling, and Connection – where veterans connect with fellow service members and their community (Wounded Warrior Project). Other programs include assistance in understanding and managing veterans benefits through government agencies, what are the requirements and how to file for them.

Description: What Went Wrong?

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. Pressure upon the organization increased and later resulted in the removal of CEO Steve Nardizzi and COO Al Giordano. Under Mr. Nardizzi's direction, WWP modeled itself on for-profit corporations, with a focus on data, scalable products, quarterly numbers, and branding. This focus on metrics forced employees to decrease the quality of services to meet numbers. According to numerous media publications, employees felt coerced by leadership and were promptly fired when they tried to question the organization's practices and priorities. To fully understand the controversy surrounding WWP, we will further examine three areas; high fundraising overhead, a robust for-profit structure with a focus on metrics, and employee termination and turnover.

Overhead

What caught the media's attention was how WWP spends donations compared to other charities dedicated to serving veterans (Chasmar, 2016). The accusatory claim was that WWP only spends 60% on veterans, meaning that 40% is spent on overhead and itself. In financial statements, WWP claims that 80% of donations are spent on programs, but as confirmed by an investigative report conducted by Senator Chuck Grassley, only 67.5% is spent on programs (McCambridge, 2017).

WWP adopted aggressive fundraising, marketing, and management practices. According to a NY Times article, the organization has spent millions a year on travel, dinners, hotels, and conferences that were overly lavish (Philipps, 2016). These expenses are categorized on the 990 under conferences, conventions, and meetings. From the many news articles analyzed for this case study, a familiar quote has emerged given by a former employee Army Staff Sgt. Erick Millette; "What the military calls fraud waste and abuse" (Reid & Janisch, 2016) which is in response to his description of the dinner parties and alcohol purchase.

This spending was justified as team building, necessary for the development and improvement of the staff so they can continue providing the best quality services to veterans. CBS interviewed Capt. Ryan Kules, who denied the excessive spending on conferences. Cpt. Kules stated, "It is the best use of donor dollars to ensure we are providing programs and services to our warriors and families at the highest quality." (Reid & Janisch, 2016)

According to former employees, in 2014 there was a four-day leadership conference at a luxury resort which cost about $3 million, as reported by CBS (Chasmar, 2016). Comparing their form 990s, in 2010

WWP had spent 1.7 million dollars on conferences, conventions, and meetings. In 2014, their form 990 reports an expenditure of $26 million. A dramatic increase indeed, but it should be noted that workforce increase is not considered. To illustrate WWP's growth and a shift in spending, see **Table-1.**

Table-1: Note: travel and conferences, conventions, and meetings fall under total fundraising costs. Fundraising is the best figure to illustrate WWP's overall overhead costs.

	2007	2010	2014	2016
Total Revenue	$18,634,714	$40,943,594	$234,682,943	$321,807,428
Conferences, conventions, and meetings	$0	$1,700,000	$26,054,368	$2,120,004
Travel	$1,221,849	$1,907,895	$7,492,655	$4,412,955
Fundraising	$2,061,000	$9,393,128	$43,441,173	$69,367,589

A For-Profit Structure

Under the direction of CEO Steve Nardizzi, Wounded Warrior Project executives used data to measure staff productivity. The metrics were intended to improve efficiency and help to fundraise. Employees were expected to provide a specified amount of services and management used these metrics to determine staff proficiency. Some staff contends however that productivity goal was set too high and program quality quickly eroded. Employees felt intense pressure to meet the numbers and thus provided less than quality care. As reported by the New York Times, employees felt that management was encouraging them to meet numbers over actually providing the necessary care.

The *Warriors-to-Work* program quality was severely affected when rigorous metrics were applied. *Warriors-to-Work* is designed to provide one-on-one counseling to improve résumés and interview skills to help veterans find employment. According to Dan Lessard, a past program director for the *Warriors-to-Work* program, executives quadrupled the number of job placements that were expected each year. This reduced the time specialists had to find good jobs and often veterans were thrown into jobs that did not fit their needs or qualifications. Often veterans did not last in the jobs that WWP secured for them, leaving them again unemployed and set further back after being fired/terminated from their previous job. Dan Lessard admitted to "checking boxes" to meet the numbers.

A similar push for high numbers eroded the quality of WWP's connection events. Staff had little time to develop therapeutic programs, and often these events were nothing more than free tickets to a game or concert. "If the same warrior attends six different events, you could record that as six warriors served," said Renee Humphrey, who oversaw alumni outreach in Southern California for about four years. "You had the same few guys who loved going to free events" (NY Times, 2016). WWP's website highlights this program as one of its most successful with 66,000 veterans served.

Jim Collins' Good to Great and the Social Sector states that in for-profit companies, profits and metrics are a reasonable measure of success. In the social sector, metrics are not always the best way to define success. WWP project attempted to transition traditional metrics to the social sector and their services were significantly affected. The social benefit cannot always be quantified, and when WWP made metrics their highest priority, their services suffered. Their numbers looked great, but their services were far from superior. Additionally, the program sustainability and lasting impact of these programs are nonexistent. Providing services to fewer veterans but at a higher quality would have provided veterans with lasting skills and results. Hitting numbers and providing low-quality services proved to have low impact and even a detrimental impact at times. Relying on the for-profit standard of metrics resulted in unethical decision making and conduct by leadership and staff.

Employee Termination

As WWP's revenue grew so did its workforce. Because of such growth, WWP decided to have a strict stance towards employees considered disloyal or unproductive. A fair practice, but how do you balance this practice when many of your employees are veterans themselves? Many terminated employees came forward to expose WWP through media channels like CBS, but no employees sought legal action for wrongful termination. In any situation, firing someone is never easy, and this case study aims to be mindful of both sides.

Eighteen former employees - who many are wounded veterans themselves - claim to had been fired for seemingly missteps or perceived as insubordination (Philipps, 2016). There is the pervasive and continued practice of evaluating people's' performance using heavily emphasized concepts such as loyalty and insubordination. Interesting that these two concepts, or behaviors, are high points of evaluations in the WWP given that they are fundamental in the military. Was this language chosen intentionally and meant to coerce their military employees? Nevertheless, using these behaviors as threats marks an ethical lapse in leadership.

An organization of this size indeed employs different leadership styles. With what was presented by the media, there is complete lack of concern for the people and heightened concern for results. According to the Blake-Mouton Managerial Grid, WWP falls under Impoverished Management (IM) and Authority-Compliance Management (ACM). IM encompasses the failure of the manager in both task and the people. The failure in the task is noted when WWP shifts to an aggressive plan of action diminishing the quality of care for the warriors. The failure in people is WWP's practice of streamlined termination by insubordination or lack of loyalty; categories that whistleblowers often fell in. The leaders of WWP falls under AAM for the task driven attitude while disregarding the quality of service and the lack of employee support.

Using *French & Raven's 5 Forms of Power* (Team FME), we can understand the type of power WWP exerted over their employees and where their employees collided with the organization. From WWP there is an absolute *Coercive Power* in effect; the leaders control the team by the ability to take things away. The clash is where the team has *Expert Power;* the team has expertise in dealing with veterans because they are veterans themselves. Therefore, the level of compassion and sympathy towards the difficulties of a warrior is not achievable by non-veteran like many of the leaders. The Coercive Power applicability is by terminating the employee, as the leaders felt that they are insubordinate or they have acted unloyal to the organization, the response would be immediate termination.

Professor Doug White - former Director of the Masters of Science in Fundraising Management Program at Columbia University - offers an opposing analysis from that of the news articles. Professor White points out that among the many employees who claimed to have been fired from their position without

proper justification, none of them have sued the WWP for wrongful termination nor did the Equal Employment Opportunity Commission (EEOC) investigation provide results to support the news article's claim (White, 2016). While the former employees took no legal action, they chose to express their protests in a private social network group. Where many of the comments were directed to de-legitimizing WPP instead of providing solutions on how to save the organization and its programs (White, 2016).

Professor White's analysis of the employee's behavior shows that their termination could have been attributed to more specific causes than the broad label of insubordination or lack of loyalty. The question has to be raised, why did employees not seek legal assistance after being "wrongly terminated." As a national organization, individual states provide oversight by the Attorney General's office, and reports could have been filed and investigated. Were they that afraid of repercussions from the WWP? As reported by the New York Times, some employees claimed that they were offered money in exchange for signing a nondisclosure agreement. This could provide some reason as to why there were no reports to the Attorney General.

Putting aside who is speaking the truth, WWP had a high rate of employee termination. If disloyalty and insubordination were real and valid causes of termination, leadership need to create an environment where loyalty is bred. If leadership had embodied more authentic, responsible, and servant leadership styles, employees could have had more opportunities to grow and flourish. Leaders needed to model proper behavior, mentor their employees, and develop a sense of social responsibility among their employees.

Nonprofit Sector Prevailing Beliefs and the Media's Role

WWP was crucified by the media primarily because its overhead was considered too high. The nonprofit was accused of lavish and over the top spending by numerous media sources, however, what was left out of the stories was the immense growth in revenue that the organization obtained due to its aggressive fundraising strategy. Referring back to **Table-1,** you will see an increase in revenue of over $300 million from 2007-2016. Yes, fundraising costs also increased but donations, public support, and programs grew as well. This is not to say that WWP's spending was not over the top. The organization was accused of often flying first class, picking up the bar tab for company activities, holding meetings at five-star hotels, and buying useless items to improve company culture, among other things.

WWP was called out for high executive compensation but should executives not be well paid when the organization's revenue has vastly increased? Prevailing beliefs suggest that executives in nonprofits should be making significantly less than their for-profit counterparts due to the nature of nonprofit work; many have questioned this belief and are unsure if this value is helpful to the growth of nonprofits.

The media also played a role significant role in exposing and creating public opinion around employee wrongful termination allegations. As described above the facts that were exposed could have been the work of vindictive employees aiming to take down the organization. Without actual legal reports of wrongful termination, the descriptions by former employees are potentially unfounded. The media highlighted the fact that WWP fired veterans without determining whether or not terminations were reasonable actions.This is not to say that leadership values were sound or ethical; based on employee report, the above analysis of leadership styles, and high termination rate. Leadership became hyper-focused on numbers versus quality of service and employee development and growth.

The media created the narrative that WWP was capitalizing on veteran pain, and to some extent they were. On the flip side, this case study raised a couple of questions, how much of this scandal can be attributed to modern beliefs regarding how the nonprofit sector should operate? Are these beliefs

beneficial to nonprofit organizations? To examine these beliefs further and provide a potential alternative viewpoint to the scandalous behavior described in this case study, Dan Pallotta discusses why *the way we think about charity is dead wrong* in this TED Talk.

Questions

1. 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?
2. What levels of accountability could have been implemented to ensure leaders maintained ethical and moral decision making? How can an organization help?
3. After such a public scandal, should the board reevaluate itself and its effectiveness? Should it consider a change of members and officers?
4. Beliefs surrounding nonprofit sector expectations and practices are in dispute. Do you think that there needs to be a systemic change in how the nonprofit sector is perceived and thus expected to behave? How would an altered belief system change the perspective of the WWP scandal?
5. What are the costs and benefits of the sector shifting to a more for-profit model?
6. By implementing high productivity standards and the use of rigorous metrics, WWP aimed to serve more people, but as discussed, programs suffered. Considering the utilitarian ethical theory, doing the most good for the most people, how could the organization measure their impact beyond numbers, ensuring that their decisions are doing the most good for the most people on a consistent basis?

Resources

Wounded Warrior Website and Programs

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'

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Endnotes

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