

Nonprofit Ethical Case:

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

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# Summary

Greg Mortenson's book *Three Cups of Tea* helped make the Central Asia Institute a celebrated nonprofit. High-profile figures like Nick Kristof praised its work of promoting education in Afghanistan and neighboring countries.

However, acclaim was followed by scandal when it came out that much of the book was fictionalized and that Mortenson had massively mishandled CAI's money.

Just as remarkable as CAI's fall, though, was that it rose again. How did it survive to become a stable, top-rated nonprofit?

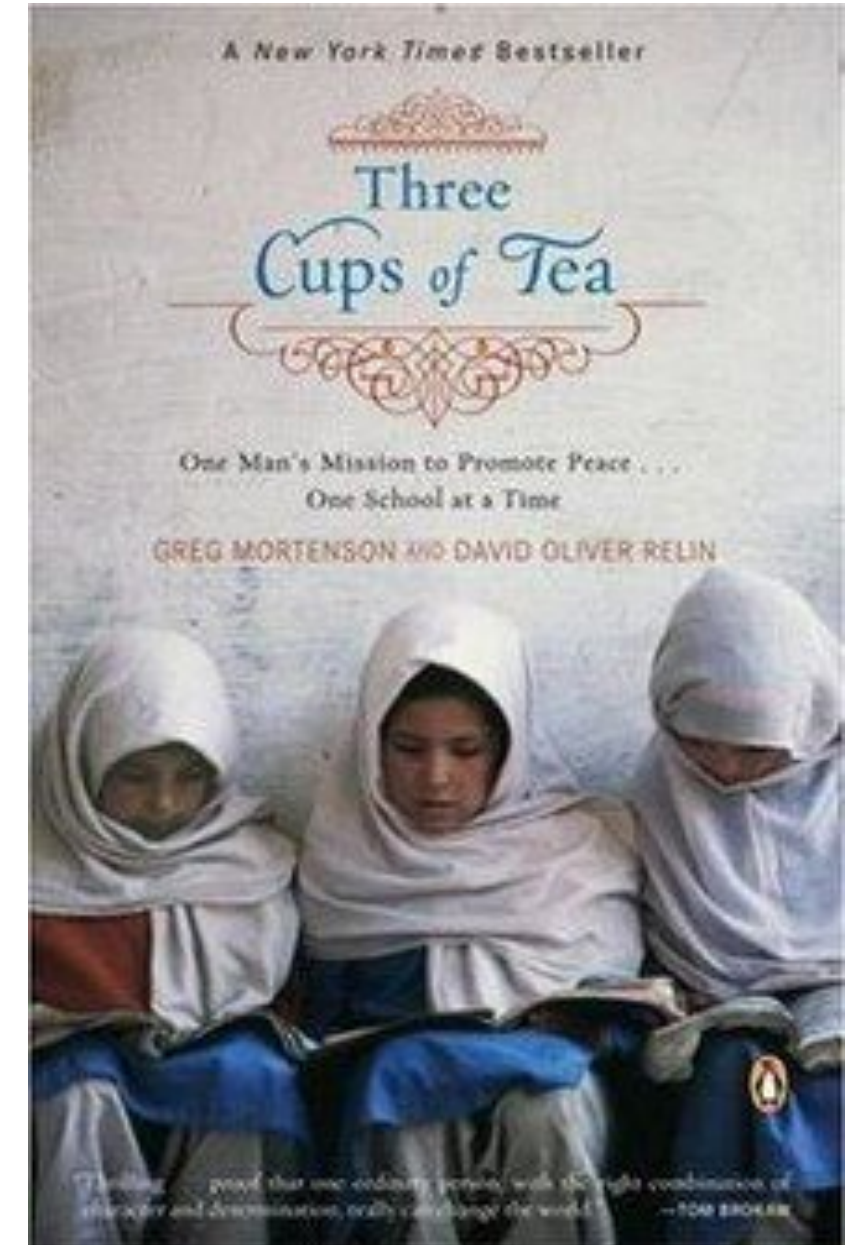


Image credit: wikipedia.org



- CBS News interview with Greg Mortenson

[https://www.google.com/url?q=https://www.youtube.com/watch?v%3DdlFukcr0jbk&sa=D&ust=1584730417807000&usq=AFQjCNHJvXb91Cnc-27-u7lp\\_6zteo9j1A](https://www.google.com/url?q=https://www.youtube.com/watch?v%3DdlFukcr0jbk&sa=D&ust=1584730417807000&usq=AFQjCNHJvXb91Cnc-27-u7lp_6zteo9j1A)

# Chronology

- **1993:** Greg Mortenson, mountaineer, attempts to summit K2\*
- **1996:** Mortenson founds CAI, raises funds for building schools and promoting girls' education in Pakistan, neighboring countries
- **2007:** *Three Cups of Tea* published, will sit on NYT bestseller list for 220+ weeks
- **2009:** Mortenson nominated for Nobel Peace Prize

*\* Mortenson claimed to visit the village of Korphe, Pakistan in 1993, after his failed expedition. In fact, later reporting found the visit was in 1994, on a separate trip.*

# Chronology, cont.

- **2011:** Scandal! CBS, Krakauer tears apart book, allege misuse of funds (“personal ATM”)
- **2012:** Mortenson settles criminal charges, resigns as E.D.; judge throws out civil suit
- **2015:** Mortenson retires from board; fundraising rebounds
- **2020:** CAI rated highly by nonprofit watchdogs



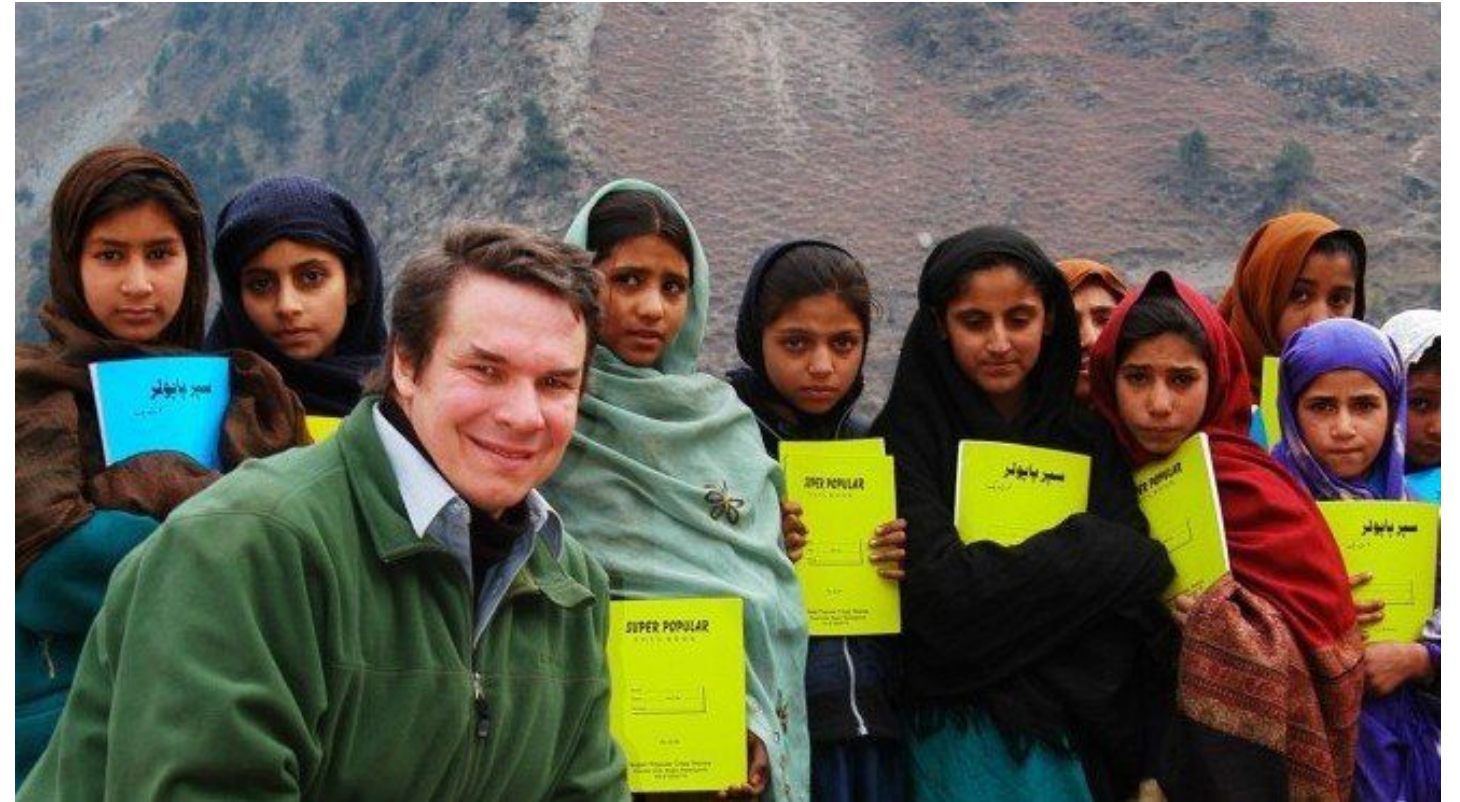


Image credit: newyorker.com; npr.com

# Key Facts



Image credit: Bozeman Daily Chronicle

- *Three Cups of Tea* was full of fabrications
  - The story of visiting a village after the failed summit and finding inspiration
  - Kidnapping by the Taliban
- Mortenson mishandled over \$60M in CAI funds
  - Promoting *Three Cups of Tea*
  - Buying book copies
  - Various personal expenses
- Settlement with Montana A.G.
  - Pay back funds
  - Resign as E.D., never operate another charity
- CAI's fundraising dropped in wake of 2011 scandal, but many donors returned by 2015



# Perspectives on Mortenson

- **Jon Krakauer, *Three Cups of Deceit*:**  
A liar and a thief
- **Nicholas Kristof, The New York Times:**  
“Greg was profoundly right about a lot of things”--don’t paint all international development with this brush
- **Peter Hessler, The New Yorker:**  
Bad model to begin with--outsider-led development, focused on charismatic Western “hero”

## WHAT MORTENSON GOT WRONG

By Peter Hessler  
April 21, 2011

Last September, when I was researching [a profile of Rajeev Goyal](#), an American development worker, I asked what he thought about the book “Three Cups of

Tea” and I were walking through eastern Nepal, where he had a number of projects over the past decade, including the building of five schools. “Three Cups of Tea” is one of the bestselling books by Greg Mortenson, a mountaineer whose Central Asia Institute he has built or significantly supported more than a hundred and twenty schools in Pakistan and Afghanistan.

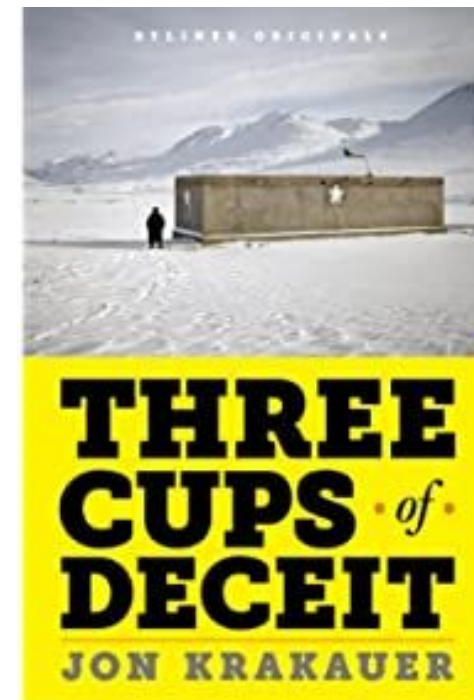






Image credit: [centralasiainstitute.org](http://centralasiainstitute.org)

# Compliance

- E.D. spent money on personal expenses
- Money went to boost book sales--only benefited authors, not org
- Bottom line: board of directors didn't provide check on E.D.
- Ethical to let Mortenson stay on board?
- Directors *did* step up auditing after scandal, made financials transparent

# Individual Responsibility

*“I always have operated from my heart. I'm not really a head person. And I really didn't factor in the very important things of accountability and transparency”*

*- Greg Mortenson*

## Unethical choices for personal best interest:

- Intermingling of personal funds and those of nonprofit
- Desire for personal accolades:
  - Spent more funds domestically - promoting his book - than building schools/education programs
  - Went on expansive speaking and books tours, while making personal income, at the expense of CAI
  - Nominated for Nobel Peace Prize
- Lack of transparency, integrity and responsibility

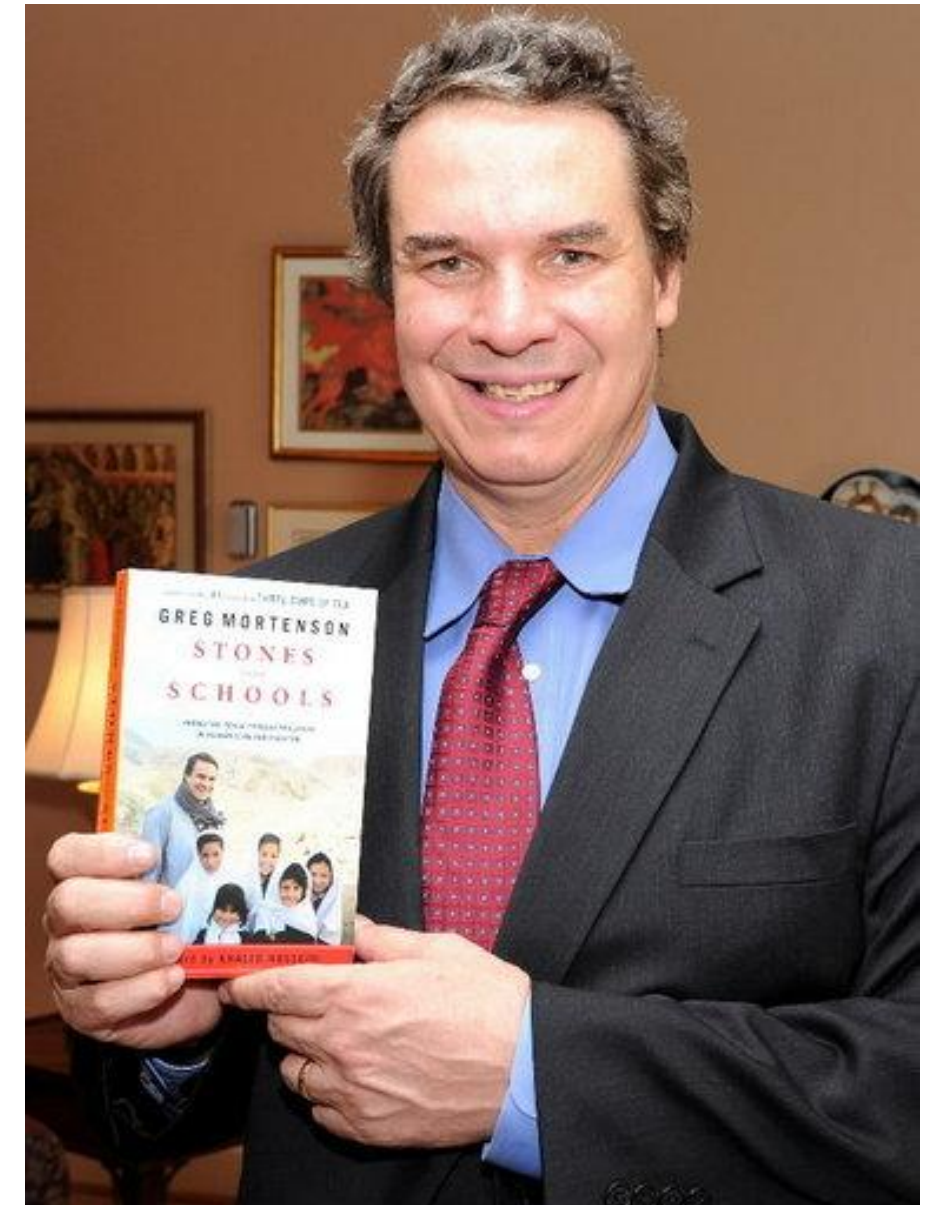


Image credit: The Birmingham News/Mark Almond

# Organizational Responsibility

## . Board of Directors

- Fiduciary responsibility, legally accountable for actions of nonprofit
- Access to financial reports, executive director
- Whistleblower policy
- Did not perform due diligence or if so, did not report findings
  - In 2011, as a 14 year-old organization, it had only undergone one financial audit (while receiving multi-millions each year) (CBS News, 2011)
  - As prior mentioned, BOD did speak up, but it took 11 years for the complaints to come to light. This is far too long for unethical practices to occur.

## . CAI Staff

- Were CAI staff cognizant of deceitful practices?
  - Notice conflict of interest
  - Creating financial reports/tracking Mortenson's expenses/revenues
- Whistleblower policy



Image credit: Central Asia Institute



# Systemic Responsibility



- A call for **transparency** from all nonprofit organizations, especially in regard to fundraising practices.
- Increase in **regulation** will increase accountability.
- Nonprofit leaders need to act in the **best interest** of the organization's they serve.
- **Integrity and authenticity** must be present in nonprofit storytelling and marketing.
- **Leadership training** needs to occur on a regular basis. Leaders need to reflect on and observe ethical leadership practices.

# Stakeholder Analysis

| <u>STAKEHOLDERS</u>  | POSSIBLE CONSEQUENCE(S)  |
|--|--|
| <b>Communities in Afghanistan and Pakistan</b>             | <ul style="list-style-type: none"> <li>• Programs may not have actually been in the best interest of the community.</li> <li>• Programs may have added to dependence on outsiders and increased possible corruption.</li> <li>• Outsider project can be problematic and building projects do not empower local communities to create their own social change.</li> <li>• Inauthentic storytelling can damage the community.</li> </ul> |
| <b>Central Asia Institute donors and supporters</b>        | <ul style="list-style-type: none"> <li>• Mortenson's actions and lack of transparency while handling money threaten donor trust and lead donors and supporters to wonder how their donations were used.</li> <li>• Misuse of funds threatens current and future donor support.</li> </ul>  |
| <b>Central Asia Institute staff and board of directors</b> | <ul style="list-style-type: none"> <li>• Staff and board are forced to question their own actions in relation to Mortenson.</li> <li>• Staff and board question the organization's validity and question their own work.</li> <li>• Leadership fallout can have a long term effect on organizational culture and ability to hire and retain employees and board members.</li> </ul>  |
| <b>Other international development organizations</b>       | <ul style="list-style-type: none"> <li>• Press around unethical international aid can cause public distrust in all international development projects.</li> <li>• Other international aid organizations are forced to separate from stories like these and compensate by working on increasing their own authenticity and transparency.</li> </ul>   |
| <b><i>Three Cups of Tea</i> customers, readers, fans</b>   | <ul style="list-style-type: none"> <li>• Readers believed they were learning true and factual stories when it was mostly fictional and took advantage of readers' vulnerability.</li> <li>• Customers who purchased the book feel like they supported an unethical cause.</li> <li>• People who advocated for the book feel betrayed.</li> </ul>   |

# Alternative Solutions

We need to be more thoughtful as “outsiders” when getting involved with international development work. We should be cautious and avoid blindly trusting charismatic leaders with heartwarming stories. We should listen to the communities themselves and ask them “*how can we help?*”

We need to continue to rely on watchdog organizations and the media to hold individuals accountable when they are misusing funds and donor contributions.

The Central Asia Institute board of directors should have had a closer eye on Mortenson from the beginning. It is ultimately the board’s responsibility to ensure leadership is acting ethically.

Mortenson’s storytelling should have been fact checked and not taken at face value. Particularly when vulnerable communities are being spoken for, there needs to be a stronger emphasis on authenticity and credibility.



## ***Questions to consider...***

1. Should Mortenson be allowed to continue to work with the Central Asia Institute in any capacity? What about with similar organizations?
2. What key steps does the Central Asia Institute need to take to overcome this and regain the public's trust?
3. 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?
4. 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?



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