
Event Report

What Would You Do? Students' Ethical Decisions at NGOs

MARCH 27, 2010

You work for an NGO that certifies fair trade products and find out that one of your certified suppliers in China employs underage workers...

You are consulting for an NGO that is considering making a generic form of a patented AIDS drug in South Africa...

You are in final discussions with national government officials in Russia and have been asked to pay a "transaction" fee into a personal bank account...

If you were confronted with one of those situations, what would you do? Unfortunately, for many Columbia MBA students it's not a theoretical question. While all of us can expect to come across ethical dilemmas at some point in our careers, those who work with cultures that are not their own are often faced with an added level of complication, layering on the cultural paradigms through which business — and therefore ethical decisions — get done. We all know the imperative of adapting to a culture's social folkways and mores, but when it comes to ethics, is there an absolute standard — one that applies to all people, at all places, at all times? Or should we be following the toast of Stephen Decatur, U.S. Navy commodore during the War of 1812: "Our country! In her intercourse with foreign nations, may she always be in the right; but right or wrong, our country"?

At the student panel "Ethical Dilemmas at Government Institutions or NGOs," moderated by Professor Stephan Meier, five students addressed this question and others, through personal experiences in ethical decision making from their work at NGOs and government agencies around the world. Their stories provided the fodder for lively debate among audience members.

In the following paragraphs, the *Chazen Web Journal* retells three of their stories (names have been changed to protect students’ identities).

Julia’s Story: Central America

In the year before business school, Julia, a first-year MBA candidate, was working at her native Central American country’s Ministry of Economic Development. Julia was largely engaged in a project funded by the EU and the World Bank to build a highway from deep inside the country directly to the cities, where the main agriculture markets are. The majority of the country’s population lives below the poverty line, and their only means of economic survival are agricultural. The largest impediment to the population’s economic development is the lack of access to infrastructure. “They can’t bring their goods to market, because there’s no access to transportation to get them there,” says Julia.

With the project planned and budgeted, the funding in place and the engineers hired, planning had gone smoothly. Only one week out from the ground-breaking, however, the construction of Julia’s highway hit a speed bump: “All of a sudden, we received instructions from higher up in the government that we needed to scrap that project and direct that funding toward the reconstruction of highways that ran to the tourism sections of the country.” Since Julia had developed, sourced and budgeted the project — as well as secured the international funding — she was particularly distressed by this development. Not only were the tourist highways already adequately funded through private monies, but the money Julia had in place was specifically earmarked for that particular project. Using it for anything else felt like an ethical violation, particularly when it came to light that those who would benefit most from increased funding for the tourist highways — the directors of the Tourism Board and the engineers themselves — were also the largest donors to the president’s election campaign. Julia’s boss was the director of all multilateral funding projects and had significant sway in the government. Still, Julia wondered, would they have the power to affect this decision? Or would blowing a whistle cause more harm — both personally and for her country — than good? If she chose to resist this redirection of funds, what were her options?

In the end, Julia considered several. First, knowing that the international funding came with very specific guidelines, Julia had the option of informing the donors (the EU and the World Bank) about the redirection of the funds. But this was risky, both personally and for the entire Ministry of Economic Development. Second, Julia could go to the press and expose the government, forcing it to use the money for the intended purposes through domestic and

international pressure. That would alleviate the personal risk, “but there were larger implications, because the EU wasn’t just funding this one project in my country, they were funding many. I didn’t want this one project to affect all that aid.” Lastly, Julia could try to escalate the case through her boss and try to convince the government that it had made the wrong decision. In light of the fact that the directive seemed to come from the very top levels of government, Julia knew this idea seemed implausible, but felt it was her best option. She lobbied her boss and laid out several specific options — including one where both projects could be funded. Together, they escalated the problem all the way up to the Minister of Economic Development. “In the end, though, the president stood firm and insisted the funds be used for the tourist highway.”

Though Julia’s story has a disappointing ending, the lessons that she learned were influential. “It reinforced for me that there are problems with the government, yes, but there is also a lot of potential to do good. I think that sometimes you have to accept setbacks like this and sacrifice for the greater good.”

Greg’s Story: Asia

Greg is a second-year student in the School of International and Public Affairs who spent his summer internship in Asia, working for an organization devoted to building schools and funding them by exporting local goods. Starting in the spring of last year, Greg worked diligently with a fellow student and the CEO of the organization to develop a business plan. They entered the Global Social Venture Competition and were invited to UC Berkeley to present the project. Greg felt that things were going quite well. When the CEO invited him to spend the summer on-site in Asia as the organization’s development manager, Greg jumped at the chance.

Arriving in Asia with a group of Columbia interns and two full-time employees, Greg and his team spent the first few weeks struggling to make contacts on the ground. The CEO — who at the time was out of the country, fundraising — hadn’t left them with a Memorandum of Understanding, which is a basic requirement to start an NGO or educational organization in the country. With the project in operation for over a year and a half, this was Greg’s first red flag that something might not be right. The second came when the CEO arrived in the country and the team discovered that he was staying at one of the most luxurious hotels in the city. Nevertheless, the CEO told the team he had succeeded in raising over \$60,000 dollars for the school-building project, and he needed them to develop a business plan for how the funds should be allocated and the school operated. The ultimate goal was to get the school up and running and serving the local

population, and to this end the team persevered, developing a solid budget and operational plan based on the numbers and resources provided by the CEO.

From there the situation began to devolve. In each meeting with the CEO, the available budget dwindled and promised resources slipped away. Finally, the team began asking hard questions. They learned that of the \$60,000 he claimed to have raised, only \$3,000 available dollars were in the NGO’s bank account. The CEO insisted that the money he had used had been employed for fundraising purposes. In addition, he claimed there were outstanding funds accounted for in that \$60,000 that had been pledged but had not yet materialized. Greg knew that the CEO had the potential to do a lot of good in the region; still, he didn’t feel comfortable with the fact that the CEO couldn’t account for the missing money. He and his team were at a loss.

After much discussion, Greg and his team came up with what they felt were three feasible options. First, they could simply leave, telling the CEO that they wouldn’t work with him given the fact that he hadn’t delivered on any of his promises — to them or to the donors. Greg considered this option, but felt that it was possible that the CEO was simply a bad manager and not a bad guy. “My view was that he had the right intentions. He wanted to go to Asia and build the school, but he had no capabilities to do it. He had a better shot at succeeding in something if we all stayed.” Second, they could report the CEO to the government, or to his board of directors. However, it became clear that the CEO had constructed the board members from a group of friends and acquaintances. “The only person we could have raised this to within the organization was an ally of the CEO’s. We didn’t think discussing this with him would be productive.” Finally, the group landed on the option that they ultimately pursued: They demanded that the CEO submit to a thorough examination of his finances, with specific details of when, how and where the money was spent: “Finding this out was a critical next step. From there, we could decide whether to report back to the donors and leave the organization, or to keep working with the CEO to try and build the school.”

In the end, though the CEO claimed to have disclosed everything he had, he wasn’t able to meet Greg’s demands. Greg’s team left the organization and — after much deliberation — decided to report the organization to its fundraising site (it was subsequently removed), as well as to the local newspaper. Currently, Greg is in the process of providing information about the CEO’s misdeeds to the IRS. “Ultimately, what the CEO did was clearly unethical but we couldn’t prove that it was illegal. His claim that you have to ‘spend money to make money’ is true — he could have been using the funds to try and raise more donations. It’s hard to prove otherwise.” Still, Greg learned a lot from the experience. “I was so excited to go to Asia, that I didn’t really

look critically at the fact that the organization had only three board members and no paper trail. I learned that in the future there are questions I should always ask — whether it’s when looking for a job, making a donation or even sitting on a board.” A member of the Social Enterprise Program echoed Greg’s thoughts: “There’s a lesson to be learned here about due diligence. It’s important for students to ask during the interview process for annual reports or business plans. If a company has nothing to show you, it’s a huge red flag.”

Rebecca’s Story: South America

When training for a two-year stint as a Peace Corps volunteer in South America, Rebecca was taught to “integrate into your community, adopt to your country’s norms.” She took this mantra to heart and tried to practice it in her everyday responsibilities and interactions. However, when she was confronted with an ethical dilemma at the school she was assigned to in a rural South American province, she wondered if this advice should still hold.

Rebecca was struck by the limited resources to which her students had access: The school’s library was in terrible disrepair, and there were few reading materials from which students could choose. Through the Peace Corps, she applied for a grant from USAID to renovate the library and buy books to stock it. In the end, Rebecca was pleased to receive a grant for \$7,000; not only was she the school’s first Peace Corps volunteer, but it was the first time the school was to receive any type of outside funding for a project. She was thrilled that she could connect the school to such a much-needed resource.

Rebecca’s happiness was mirrored by that of the surrounding community, and multiple volunteers showed up to help in the construction of the new library. In addition, the school principal was able to negotiate down the prices of some of the vendors, and the books were donated at a much lower cost than projected. All of these labor and cost savings resulted in having over 30 percent of the funds left over after the project’s scope (as laid out in Rebecca’s original grant) was completed. The principal approached Rebecca with an idea for the remaining funds: The school had only one working toilet for 600 students, because the vats that collected rainwater to run the sanitation system were broken. The principal suggested that they use the leftover funds to buy a new vat in order to have more working toilets at the school. Rebecca knew that the funds were to be solely used for the renovation of the library and the purchase of the books and told the principal this was the case. “The principal thought about it, and then asked me to doctor the receipts to make it appear that we spent all the money toward the library, and then use the funds to buy a new vat. He explained to me how necessary it was, and how bad the sanitation conditions

were at the school with only one toilet for 600 students.” Rebecca could see the conditions with her own eyes, but remained unsure about the ethics of using the money for a purpose other than the one explicitly stated by USAID.

Rebecca considered her options. First, though she wouldn’t doctor the receipts, she could rationalize all the good the new water vat would bring to the school and just look the other way when the funds were spent there. Despite the mantra about “adopting” to her country’s norms, Rebecca didn’t feel right about pursuing this path. “I didn’t want to set that precedent for all the volunteers coming in after me, that the principal would say ‘Oh, we can just overestimate the amount of grant money we need and then use it wherever we want to.’” Second, Rebecca could simply return the money to USAID, or use it to fund additional literacy programs she had developed for the school. This would potentially anger her principal, and, cognizant of the fact that she was the school’s first experience with a Peace Corps volunteer, Rebecca wanted to be careful not to strain her relationships there. Finally, Rebecca had the option of reporting back to her program manager at the Peace Corps, and asking for help in pitching the case to USAID that the additional funds be used for the water vat. Ultimately, this is what Rebecca chose to do. “I explained the situation, but in the end, we were unable to use the funds for the bathroom. It strained my relationship with my principal and colleagues for the rest of the time I was there, but I felt that it was the right decision.” Rebecca used the remaining money to throw a literacy festival for the school and implement other literacy-focused programs to engage students.

Recognizing that the decision in many ways may incentivize the wrong behavior in the future (if cost savings doesn’t lead to rewards, why bother to deflate budgets?), Rebecca notes that it is also important to lay out very clear guidelines with how money will be used, even before receiving a grant. “Knowing that the school had so many needs, I should have been clearer with what that money could — and couldn’t — be used for.”

To wrap up the panel, Professor Meier noted the difficulty of these kinds of choices: “Usually we think about ethical decisions in businesses or corporate social responsibility as firms have one mission, and we ask if there should be another one, while in NGOs and government, the mission is ‘We want to do good,’ but when we hear these types of stories, we realize it’s not always so easy.”

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