

CASE 18

The American Red Cross Faces Organizational Integrity Challenges*

The American Red Cross (ARC) is an independent organization supported by public donations and volunteerism. Its mission is to "provide relief to victims of disasters and help people prevent, prepare for and respond to emergencies." On average, the ARC responds to more than 70,000 disasters annually. The ways in which it handled the September 11th attacks in 2001 and Hurricane Katrina in 2005 were widely criticized as being inadequate and poorly managed, however, and the ARC has also addressed allegations of fraud, bribery, and even theft on the part of volunteers and employees working for the organization. In addition, the ARC has faced a number of internal challenges due to high turnover, as well as charges of over-compensation and possible corruption among its board of directors and upper management.

A BRIEF HISTORY

Clara Barton founded the American Red Cross in 1881. She was inspired by the work of the International Red Cross while on a trip to Europe during the Franco-Prussian War of 1870–1871. Barton brought the Red Cross model back to the United States and subsequently led the organization through its first domestic and international relief missions, including assisting the U.S. military during the Spanish-American War in 1898. The ARC is one of a handful of organizations chartered by the U.S. government, receiving its first federal charter in 1900.

As a member of the International Federation of Red Cross and Red Crescent Societies, the ARC joins more than 175 other national societies in bringing aid to victims of disasters throughout the world. The ARC follows the seven fundamental bylaws to which all Red Cross societies must conform: humanity, impartiality, neutrality, independence, voluntary service, unity, and universality. In addition to disaster relief, the ARC provides community services, support for military members and their families, blood donation services, health and safety education, and international relief programs.

ORGANIZATIONAL STRUCTURE

Today the American Red Cross consists of roughly half a million volunteers and 35,000 employees. A board of governors oversees the organization and its management. The board is comprised of 12–20 members, including the chair, who is appointed and approved

*This case was prepared by Harper Batré, Michelle Watkins, John-Paul Schilling, and Jennifer Jackson for and under the direction of O. C. Ferrell and Linda Ferrell. It was prepared for classroom discussion rather than to illustrate either effective or ineffective handling of an administrative, ethical, or legal decision by management. All sources used for this case were obtained through publicly available material.