Week 5

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Case Study 11

Introduction

The Red Cross was founded in 1881 by Clara Barton, as described in her own words, "to afford ready succor and assistance to sufferers of national or widespread calamities." Over the next century the Red Cross became America's premier, nonprofit disaster-relief organization with much of its work accomplished through volunteers in its 1034 local chapters across the United States. Today as a huge $3 billion, quasi-governmental agency, it operates under a congressionally mandated charter and is governed by a fifty-person board made up of several appointed senior federal officials.

In 1999, after an extensive national search, the Red Cross selected Dr. Bernadine Healy to succeed Elizabeth Dole as its president. Publicly at least, Healy was chosen because she "knew blood." Though, as one board member added, we hired "a change agent for a culture resistant to change." After eight years of listening to the Red Cross promise to reform and upgrade the safety of its blood-testing procedures, the Federal Drug Administration (FDA) obtained a court-ordered supervision decree over the Red Cross's blood-testing processes in 1993. Under Dole's presidency, significant progress at improving its blood testing had been achieved. Nonetheless, by 1999 the Red Cross still remained under FDA court-ordered supervision, and its Atlanta chapter had recently been cited for a number of testing violations.

In many ways, Healy was an ideal candidate to assume the Red Cross presidency at that particular moment. As a Harvard Medical School Graduate, she "knew blood," and as a former head of the National Institutes of Health and dean of the Ohio Medical School, she possessed impressive administrative credentials for managing large, complicated health-related facilities. Moreover, she had just survived a life-threatening brain tumor operation and therefore wanted badly to serve as Red Cross president in order "to do good" and make a positive difference for society. Yet, despite all these "pluses" that she brought to the job, within two years Healy was forced to resign.

As you read the following story by *New York Times Magazine* writer Deborah Sontag, try to think about how it relates to Lois Wise's foregoing conceptual essay on public service motivation.

What motivated Healy to accept the Red Cross presidency? Would you judge these motives to be in line with "public service motives" as described by Wise?

How would you characterize "the traditional" Red Cross organizational culture? Its values? Outlook? Do you think this culture also "squared" with the "public service values" outlined by Wise? What were the essential sources of differences between the public service ideals professed by Healy vs. the Red Cross volunteers?

In your view, was Healy well enough informed about the Red Cross culture prior to accepting the presidency? Likewise, was the Red Cross knowledgeable enough about Healy's managerial style prior to hiring her? What would you recommend both the potential employee (Healy) and employer (the Red Cross) do to ensure "a better fit" during the recruitment and selection process?

Ultimately, what were the chief causes of Healy's forced resignation? In retrospect, might you suggest some specific strategies that Healy could have used to better "read" and then "accommodate to" the traditional Red Cross culture? If she accepted your recommended strategies, what personal behavioral as well as value changes would Healy have had to adopt?

Generally do you think the notion of "public service culture" as advanced by Wise has relevance to this case study? Does it offer practical advice for resolving conflicts apparent in this case? If so, how and in what ways? If not, where would you amend or revise that concept?

Who Brought Bernadine Healy Down?

DEBORAH SONTAG

The vast, empty foyer of the American Red Cross's stately headquarters in Washington seemed as remote from ground zero as white marble from rubble. That was my inescapable, if facile, thought as I glided up the Tara-like central staircase one morning in early November. The holy hush was misleading, though. It gave no hint of the passionate, even viperous intrigue that was playing out behind closed doors. At a moment when the Red Cross was supposed to be absorbed with ministering to a nation in crisis, it was confronting an internal crisis of its own making.

It had been just over a week since Dr. Bernadine Healy, 57, had announced her resignation under pressure as Red Cross president. I sat waiting for her in the president's office wing, which was still her domain but increasingly provided her little sanctuary. Healy, baldly showcasing her impatience toward Red Cross sanctities about tradition, had long displayed a saying attributed to Clara Barton above the mantle: "It irritates me to be told how things have always been done. . . . I defy the tyranny of precedent."

From Deborah Sontag, "Who Brought Bernadine Healy Down? The Red Cross: A Disaster Story Without Any Heroes." *New York Times Magazine* (December 23, 2001) © 2001, Deborah Sontag. From *The New York Times Magazine*. Reprinted by permission.

Sweeping into the room, Healy sank into a cranberry-colored chair and exhaled. Healy is a fine-boned, exquisitely tailored woman who, with her crisp blond coif and colorful blazers, looked more like the Republican senator she once aspired to be than a cardiologist who ran a humanitarian organization. That day, she was showing the jittery strain of the previous two months, in which she first commanded a huge disaster-relief effort and then suffered the humiliation of rejection by the Red Cross's 50-member board of governors. Under her severance agreement, Healy was supposed to stay on through year's end while the general counsel, Harold J. Decker, took over as acting C.E.O. But it was already getting pretty uncomfortable.

"I can't believe it," she said, a great sigh collapsing her small frame. "They've just fired my chief of staff. Poor Kate. They gave her a few hours to pack up and be gone. They want to get rid of us that badly?" Over the next couple of hours, there were many knocks at the door and sniffles outside it as Healy's assistants were reassigned, a first step toward their eventual firing. Healy, who had spent the previous day at a grueling Congressional subcommittee hearing, was agitated. She believed that the Red Cross might be seeking to deflect criticism—and avoid self-criticism—by scapegoating her. She could feel it coming, she said. The board was going to reverse course and blame unpopular decisions on her. Healy decided that day to pack up her office and return to her Ohio home as soon as possible.

It was a terribly intimate moment to observe, and Healy later said that she regretted I had been there. Her eyes watery, Healy had stared at a portrait of Barton, her heroine, who founded the American Red Cross in 1881. "You know Clara Barton was fired, too," she said, coughing up a dry laugh. "The difference is, she lasted 20 some years and I only lasted two. They got her on a trumped-up charge that she used lumber left over from a disaster recovery program in her home. It tarnished her reputation, although history ultimately redeemed her." Healy paused, hearing herself. "Not that I'm Clara Barton." She shook her head and rolled her eyes. "Far from it."

The Red Cross has come a long way since Barton established it "to afford ready succor and assistance to sufferers in time of national or widespread calamities." It now generates about $3 billion in revenues a year as a quasi-governmental bureaucracy with a split personality. On the one hand, it is what Barton intended, a nonprofit disaster-relief organization, and that chapter-based service side gives the Red Cross its identity as an icon of volunteerism. But the Red Cross is also a blood business, which after a history of indebtedness and regulatory troubles has come to operate like a centralized corporation. Tensions between the two sides are echoed in other turf battles: between the 1,034 local chapters and the national headquarters, between veterans who believe their "mission" is good deeds and newcomers who believe theirs is good management and between the president and a board so big that Decker said his first impression was "politburo."

In a confidential memo to the board in late October, Healy bitterly described how the organization's internecine dynamic was summed up for her by another executive when she arrived in September 1999: "Red Crossers will give you the shirt off their back, but will as easily put a knife in your back."

All this makes the Red Cross a difficult, unwieldy institution to head. Since 1989, there have been three leaders and four interim leaders, counting Decker. Healy succeeded Elizabeth Dole, the first female president since Clara Barton. Dole spent much of the 1990's at the helm, taking a year off when her husband ran for president, then returning and eventually leaving to prepare her own presidential bid. The Red Cross board chairman, David T. McLaughlin, said that Dole's departure was "not terribly dissimilar" from Healy's. Dole "got out ahead of the game and stepped down," he said, "but she, too, left under some pressure," the result of combustible internal politics. Unlike Dole, McLaughlin said, Healy "more than brought on" her own departure, but both women were "fighting a culture, a culture that had grown up over a long period of time."

In two years on the job, the biggest disasters under Healy's watch as Red Cross president were Hurricane Floyd and Tropical Storm Allison. On Sept. 11, she stood outside on the headquarters' marble steps as snipers positioned themselves on the White House roof and, in the distance, smoke rose in blankets from the Pentagon. She knew in her gut that the day would have serious consequences for the organization that she commanded and for her personally.

McLaughlin would say later that Healy, the first physician-president of the organization, went at the initial Sept. 11 response "very clinically, and I have to say not emotionally. She was totally in action, on point." That intensity of focus, however, was not a quality of Healy's that was roundly admired within the Red Cross. Some thought her too driven and steely for an organization that they considered an affair of the heart. The previous Red Cross president, they say, had more of a politician's human touch. "Elizabeth Dole would notice the pin you were wearing, and Dr. Healy would notice the stain on your jacket," the director of one chapter said. "Dr. Healy was not people-oriented, and the Red Cross is all about people."

That day, however, the Red Cross had to be all about performance. And Healy found what she considered a serious wrinkle in an operation otherwise shifting into high gear efficiently. At noon, Healy's office received a call from the Pentagon: "Where the hell are you guys? Where's the Red Cross?" The Pentagon requested "water, food and other things we typically provide," according to an internal memo. Charles DeVita, the organization's security chief, placed a puzzled call of inquiry on Healy's behalf to the Disaster Operations Center, a corporate-style bunker known as the DOC, which is the Virginia-based command center for all disasters. The DOC was run by two women with 60 years of experience between them. They resented DeVita's phone call, a colleague of theirs told me: DeVita was a former assistant Secret Service director whom Healy had recruited just last year. What did the two of them know about activating the DOC?

That evening, Healy, believing the problem resolved, took a police escort to the site. She arrived at a scene of breathtaking devastation, with an army of firefighters "doing everything possible" to battle the blazing building. She saw "the Sallies," as the Salvation Army is called in charity circles, out in full force. But, to echo the caller from the Pentagon, where the hell was the Red Cross?

Healy expected to find the specialized teams usually dispatched by the DOC after plane crashes. Instead she found only four volunteers from the small, local Arlington County chapter—"bless their hearts"—earnestly trying to provide assistance to hundreds of emergency workers. There was no E.R.V., or emergency response vehicle, because Arlington's was in the shop. They didn't have any cots, so some firefighters were stretched out on the ground. Stunned, Healy punched out the phone number of a senior administrator who oversaw the two women at the DOC. She suggested the administrator report immediately to the scene, "get down on his knees and pray to God for forgiveness that we're not here."

Over the next week, Healy also stumbled on other serious problems that originated in the DOC—a failure to dispatch chaplains to the Pennsylvania crash site and a failure to realize that a confidential database of hospitalized victims existed. And by the professional standards of Healy and her executive team, the problems demanded a swift, sure response: the two women had to go. Although it was not Healy who actually fired the women, she was held responsible by many for what was seen as a coldhearted, ill-timed attack on two women who meant well. Adding a touch of melodrama, one of the women collapsed after she was dismissed and ended up in an intensive-care unit. All told, the incidents served to accelerate opposition to Healy.

Some of the reaction was anxiety. "We're all afraid for our jobs," one senior official at the DOC wrote in an e-mail message that ended up circulating widely through the Red Cross's quite gossipy e-mail system. Some of it was resentment. "We have been silent up to now, but the deeply disturbing news of Dr. Healy firing two of our top people in Disaster Services is just too much," one couple, former co-chairpeople of the volunteer system, wrote in another e-mail message. Referring to themselves as previous victims of Healy's, they asked: "Why isn't the board of governors doing something about her?"

Well before Sept. 11, some Red Cross governors were growing uncomfortable with what they told Healy in her July evaluation was her hard-charging style. She had been encountering mounting resistance from the chapters too. The chapters had always operated pretty autonomously. They did not like it when Healy, who was aghast to learn how much of their financial reporting to headquarters was voluntary, sought to oversee them more closely. Although the Red Cross is effectively a public trust, it has never been a particularly transparent organization, not even internally.

Some chapter directors opposed her oversight for philosophical reasons; they feared that it represented the first steps toward centralization in an organization that should belong to the grass roots. Others didn't want Big Brother peering into their affairs. Or streamlining the chapter system in a way that would reduce their power or cut jobs. And then there were those with something to hide, like the administrator in Jersey City.

Healy thinks that her downfall probably began, improbably, right there in Jersey City when all these tensions exploded. An audit of the small, poor Hudson County, N.J., chapter had uncovered irregularities, suggesting embezzlement by the director; he was a longtime Red Crosser who apparently had treated his fief as a personal charity ward. Healy was horrified, suspended the man and his bookkeeper without pay and hired an outside firm to do a forensic audit. The auditors found what appeared to be significant theft, and the Red Cross turned the matter over to the local prosecutor's office.

In mid-December, a grand jury handed up indictments of Joseph Lecowich, the director, and Catalina Escoto, the bookkeeper, on charges of stealing $1 million in Red Cross funds.

The fact that Healy's suspicions were proved right in the end did not matter. Several board members and veteran administrators thought that she should have suspended the employees *with* pay, and they objected to involving external auditors. During her July evaluation, some members criticized her for being "too fast and too tough" in Jersey City. She asked them, "What should I have been, too soft and too slow?" And they said, "See, you're too defensive."

When the Red Cross board hired Healy, a Harvard Medical School graduate and mother of two daughters, ages 15 and 22, it understood exactly whom it was getting. From her stints as the first female director of the National Institutes of Health and as dean of the Ohio State University medical school, she had an established track record. A blunt-talking New Yorker born and bred in working-class Queens, she was not known as a diplomat. Rather, she was known as a driven professional who ruffled feathers but made things happen.

Dimon R. McFerson, then the C.E.O. of Nationwide, was the Red Cross governor who oversaw the 1999 search. He said that Healy was selected because she was the best candidate and that he would make the same choice again now. The board was unconcerned about Healy's "head-on style," he said, although in retrospect it seems inevitable that the board and Healy would end up on a collision course. "We hired a change agent for a culture resistant to change," one board member said.

Under the Red Cross's Congressionally established charter, seven of its 50 board members are senior government officials, like cabinet secretaries, who almost never participate. Another 12 are corporate, business and academic leaders who are not Red Cross lifers. Neither is McLaughlin; he is a former chairman of CBS, president of Dartmouth College and president of the Aspen Institute who, like his predecessors, was appointed Red Cross chairman by the president of the United States.

The remaining 30 governors, who are selected by local Red Cross chapters through a competitive nomination process, really control the organization. They tend to be lifelong Red Crossers who have worked their way up from local to national prominence within the organization; they also tend to be protective of traditions—and of veteran employees with whom they have longstanding relationships. Not all of them, McLaughlin said, straining to be diplomatic, "possess strong governmental or financial or programmatic experience on top of their incredible loyalty to the Red Cross." But because they are willing to give so much of their time, many of them end up presiding over the board's internal committees—for as long as six years—and those committee chairmen dominate the executive committee whose decisions tend to be rubber-stamped by the full board.

During the year that Dole took a sabbatical, the executive committee started playing a more hands-on role, and quickly took to it. When Dole returned, according to many Red Crossers, she did not exercise the same strong leadership she had previously. (Dole did not return several calls to her Washington office.) Then, during the year between Dole and Healy, there was another interim president. And so by the time Healy arrived, the board was acting like a hydra-headed C.E.O., "overstepping its role and authority," McLaughlin, who took over last May, said.

"I tried to pull them back," he added. "I tried to help her."

The board hired Healy at the hefty salary of $400,000, twice what Dole made, because that was Healy's value in the marketplace. According to McFerson, the board was attracted to Healy's medical background and the fact that she "knew blood," since "blood was the area that needed the most attention." The board's sole concern was that Healy was coming off "a medical challenge," as McFerson put it. She had just recovered from a brain tumor.

When the tumor was diagnosed, Healy told me, she had, in true medical-drama style, been given three months to live. Her unexpected recovery played a role in her decision to take the Red Cross job. In her grateful, post-illness state of mind, she was drawn to the chance to "do good." And in a way, some Red Cross veterans were a bit taken aback by Healy's insta-passion about the Red Cross itself. She was an outsider with the zeal of an insider; she came on so strong and fast with designs for the organization's "greatness" that some grew suspicious that Healy, who had waged a failed campaign for the United States Senate in Ohio, was motivated more by personal ambition.

It wasn't long after Healy moved to Washington from her home in Ohio, where her husband, Dr. Floyd Loop, runs the Cleveland Clinic Foundation, that she realized she would be butting heads with the board.

"She was an entrepreneur, and entrepreneurs don't like boards or controls," McLaughlin said. "She kept getting out ahead of the board, and the board was chasing after her. In hindsight, her decisions were right. But her personal style was uneven."

Healy, in turn, did not like what she found organizationally. In a confidential memo that she sent the board shortly before her resignation, Healy laid out a withering analysis of the Red Cross that she had inherited. She described "a corporate culture steeped in silos, turf battles, gossip and very little teamwork. Management structure was almost militaristic . . . [but] unlike the military, there were few commonly understood performance measures, and almost no system of reward or consequences for performance."

On the "blood side" of the Red Cross, which outsiders know so little about, such a corporate culture was not only costly but also potentially dangerous. The Red Cross began "sticking" people on a large scale during World War II, when it was called on to provide blood for soldiers. Now, the Red Cross collects blood donations at thousands of sites, tests and processes the blood at its regional plants and then sells the blood products—red blood cells, platelets and plasma—to hospitals. It is an almost $2 billion a year industry. But for years, Red Cross officials say, they underpriced their blood, thinking of themselves as a charity. With that mind-set, they went deeper and deeper into debt, underpaying employees and ignoring infrastructure and quality controls.

Food and Drug Administration inspectors found egregious problems: some Red Cross blood centers would keep testing blood until the tests delivered the desired results; for instance, blood that tested borderline-positive for a given virus would be retested five or six times until the numbers came out negative. "That was a huge issue," said Dr. Jerry E. Squires, the chief scientific officer of the Red Cross.

In 1993, after eight years of listening to the Red Cross promise to reform, the F.D.A. obtained a court-supervised consent decree, forcing the organization to improve its practices to ensure the safety of the national blood supply—45 percent of which is provided by the Red Cross.

Dole oversaw an administrative and financial "divorce" of blood from the chapters and centralized it so that it would operate more like a business. It was such a radical overhaul that the Red Cross was "declaring victory long before we should have," McLaughlin said. Even though the Atlanta blood center had just been cited for multiple violations, the violations did not seem to Red Cross executives as "critical or dangerous" as the ones from previous years, a senior official said. So when Healy took over, the board told her that the organization's battle with the F.D.A. was nearing resolution and that Atlanta was an isolated case.

After Healy had been on the job five months, however, F.D.A. inspectors paid an unexpected visit to national headquarters. They stayed almost two months. In the end, they delivered a 21-page notice listing all the violations at headquarters itself. These included inadequate "tracking of inventory": pints of blood that were supposed to be quarantined because of their donors' medical histories ended up released for distribution. There were also labeling problems: blood testing positive for cytomegalovirus (CMV), for instance, was labeled negative.

Healy was "stunned," she told a senior F.D.A. official. Subsequently, in a meeting with F.D.A. officials, Healy candidly acknowledged widespread "infrastructure, quality and auditor problems," including a headquarters computer system that periodically "lost func-tionality," according to an affidavit in the court file. Healy also said that some Red Cross staff members treated the F.D.A.'s demands with a "willful lack of urgency."

In her meeting with the F.D.A., Healy said she found that some Red Cross officials possessed a startling "lack of concern for patients." The F.D.A. wanted the Red Cross to move from an "ear stick" to a "finger stick" method of drawing blood for testing, for instance; the ear-stick method often overestimated the blood count, deeming some with low blood counts eligible for donation. "In one instance in the past, this caused a perfectly healthy donor to require an emergency blood transfusion hours later," Healy wrote in a memo, adding that the reason the Red Cross was resisting the change was that it would decrease blood collections by 5 to 6 percent.

"Although the blood supply was safe," Healy wrote in her memo, "the near misses that had occurred presented a clear risk for the future." The gravity of the findings propelled the board to set aside $100 million to upgrade the blood business. Healy hired several high-profile executives to oversee the process. One new executive was Decker, who had been associate general counsel at Pharmacia. He and others moved quickly into positions of power within the organization, which some veteran Red Crossers found threatening, although in fairness, Healy was promoting insiders too. Would the Red Cross be overtaken by bloodless professionalism?

McLaughlin said that he considered Healy's "brilliant" hires to be her legacy, ensuring a solid future for the American Red Cross—if the individuals stay. The F.D.A., however, is dubious about the Red Cross's ability to follow through on its intended reforms. Despite Healy's concern and investment of time, money and personnel, the F.D.A. also found serious problems under her watch, citing the troubled Salt Lake City blood center for multiple violations last spring. In mid-December, the F.D.A. for the first time asked a judge to hold the Red Cross in contempt of the 1993 consent decree and to authorize serious financial penalties—$10,000 a day per violation, which could amount to more than $10 million a year.

In the days after Sept. 11, Healy oversaw the transformation of the Red Cross's austere headquarters into what looked like the stage set for a field hospital. Medical technicians were stationed at gurneys beneath stained-glass windows, drawing blood in assembly-line fashion. Outside in the garden, the Red Cross choir performed "God Bless America" and received a standing ovation from hundreds of phlebotomists and donors. Healy found it moving. "It was like a temple of healing and grieving," she said.

At first, the Red Cross sought to impose a system on would-be donors, urging them to make appointments to return as needs arose. But people would not be turned away. They wanted to wait in long lines and give of their vital fluids. It was a spiritual thing, Healy said, and her intuition told her to respect those feelings, even if it wasn't the most logical way to proceed.

Over the following two weeks, the Red Cross's three-day reserve of blood built to a 10-day reserve because the demand was less than expected: there were relatively few wounded. Nonetheless, the Red Cross continued to collect blood, having decided it should stockpile in anticipation of another attack or a military deployment. Eventually, some red blood cells, which expire after 42 days, had to be thrown away, which engendered considerable criticism of the Red Cross for being overzealous in its collections. Healy shrugs this off: "Look, the plasma was saved and frozen. People don't realize that red blood cells are perishable commodities. They expire. It happens. Better to have had too much than too little."

It is that kind of crisp logic that Healy's critics found off-putting—even when she was right and especially when she displayed a certainty that she was right. It bothered the board again and again. She would not walk them through the paces of her decision making; she didn't like stupid questions; she wanted action—yesterday. Then Healy, after taking insufficient time to explain herself, would end up feeling misunderstood. It happened with her subordinates too.

On Sept. 13, for instance, Healy boarded an Amtrak train for New York. The head of Amtrak had lent five mail cars to the Red Cross to transport supplies to the World Trade Center relief effort. Healy pushed her subordinates to load up the cars by 11 a.m., which required working through the night. Some of the workers thought her haste was excessive and that she simply wanted the glory of personally delivering the goods. But she was unaware. She was elated as she watched the Red Cross executives on the train working their cellphones, like Ramesh Thadani, her new "C.E.O. of blood," who was trying to line up freezers for plasma. "I was thinking, 'Hey, we did it guys,'" she told me wistfully. "I didn't know they were irritated."

That same week, Healy taped a first batch of solicitations for donations. Many Americans believed that she was asking them to use the Red Cross as a conduit for cash assistance to the Sept. 11 victims themselves. But she never said any such thing. Her appeals were vague, the essence of which was that Americans should give of their blood and their dollars to help the American Red Cross provide "lifesaving assistance." "Together, we can save a life," each public service announcement ended.

Healy's appeals were purposely general because the American Red Cross sees its role in a disaster as broad. It is not a charity per se but a disaster-relief organization that sets up mess halls and respite centers for emergency workers while providing food, comfort, counseling and safe haven for survivors and their families. The Red Cross never solicits funds just for individual victims.

In fact, until Sept. 11, it had never solicited donations for individual disasters, either, but rather—and this is mandated language—"for this and other disasters." Since the Red Cross can raise serious money only in the wake of a high-profile disaster, it uses the high-profile disasters to beef up general disaster-relief funds. That way, there is money in the pot to assist, as Decker puts it, "the little old lady in Philadelphia who loses her home to fire"—and to cover some of the operating expenses of the DOC.

This practice of the Red Cross has come under fire many times—after the San Francisco earthquake of 1989, the Oklahoma City bombing of 1995, the Red River floods of 1997, the wildfires in the San Diego area last January. Some communities just didn't like the idea that the money being raised because they suffered an earthquake, say, was going to be used elsewhere or tucked into the Red Cross's coffers. In several instances, the Red Cross ended up having to redirect funds back to disaster-struck communities because the pressure grew too intense.

But the Red Cross stuck by its approach until Healy declared Sept. 11 an extraordinary disaster that belonged in a class of its own. It didn't make sense to her to treat Sept. 11 as if it were an earthquake. Americans were responding quite specifically to the enormity of a terrorist attack. They were donating buckets of money, over $600 million in the end, because she believed they were heartbroken and scared. She thought that to commingle those emotions and those funds with the money set aside for more plebeian disasters would never stand up to public scrutiny. Besides, she did not want huge sums of money deposited in a general disaster-relief fund that is sometimes used as a "piggy bank" for the chapters. So she created a stand-alone fund for Sept. 11 and whatever might follow it. The Liberty Fund, with its own team of 800 outside auditors, was born.

This set off alarms throughout the Red Cross system. What about the little old lady in Philadelphia? Was Healy single-handedly changing a Red Cross commitment to equity for all victims? Was she making Sept. 11 victims into a special class whose treatment would raise difficult demands from other disaster victims down the road? Was she unwittingly creating public expectations that all money raised would go to Sept. 11 victims?

Healy didn't think she was creating such expectations, not among reasonable people. She didn't call it the Sept. 11 Fund, after all. And Healy said she felt that the Red Cross needed to plan ahead at the same time as it dealt with the crisis of the moment creatively. So while she set up a cash gift program for victims' families, which was novel for the Red Cross, she also seized the opportunity to beef up some expensive pet projects that had gained new urgency—like the weapons-of-mass-destruction-preparedness program and the creation of a strategic reserve of frozen blood. She thought this was logical, but she didn't initially bother to explain herself to the American public. She didn't even bother to explain herself to the board, which turned out to be a fatal lapse. For while the governors ended up endorsing the Liberty Fund, they were forced to do so after Healy had already made it a *fait accompli*. And they would never forget that.

On Oct. 3, as if the Red Cross didn't have enough to deal with, a board member from Louisiana placed a big thorny issue on the table: Israel, or specifically the Israeli Red Shield of David, Israel's disaster-relief organization. The executive committee asked Healy to leave the room so that they could discuss the matter freely. Members were concerned that she would stifle open discussion because of her intense, domineering views on the subject.

The American Red Cross has long opposed the exclusion of Israel's Red Shield of David, called Magen David Adom (M.D.A.), from the international federation of Red Cross and Red Crescent societies. But Healy decided to give teeth to that quiet opposition. She believed that the international movement needed to be prodded to clear the legal and diplomatic hurdles preventing it from accepting the Star of David as an emblem. If the Geneva Convention—which recognizes only the cross and the crescent as internationally protected symbols of humanitarian aid societies—needed to be amended, then amend it, she believed. If not, then skirt it.

Two months after assuming command of the American Red Cross in September 1999, Healy flew to Geneva to address a large assembly of the International Red Cross movement. And, in the eyes of international officials, she charged in like a bull in a china shop.

"She comes in and makes a speech in which she harangues the assembled membership about the inequity of the exclusion of M.D.A. and how the American Red Cross is going to make inclusion happen now, whether we liked it or not," said Christopher Lamb, an executive of the international federation. "She spoke about the movement, describing everyone as cowards and failures and people who didn't understand."

Healy nominated Lawrence Eagleburger, the former secretary of state, to the commission that governs the international movement. After her speech, he lost the election. Officials in Geneva postulated that Healy felt humiliated, which in turn fueled a redoubling of her commitment to Israel. But Eagleburger, who went on to serve as her ambassador on the Israel issue, wrote in a *Washington Post* op-ed column recently that Healy simply refused to turn "a blind eye on a moral wrong." And persuaded by her passion, the American Red Cross board went right along with her. It agreed to start withholding its $4.5 million annual dues to the international federation; that money is 25 percent of the federation headquarters' budget.

Officials in Geneva contend that they had been proceeding quietly, on a diplomatic track, to include Israel since 1995. Yet just two months after the Americans began withholding their dues, there was progress. An international working group decided the world needed a neutral emblem to stand alongside the cross or crescent. Switzerland was laying the groundwork for a diplomatic conference when the latest wave of Israeli-Palestinian violence broke out in September 2000, stalling things.

After Sept. 11 this year, a high-ranking official from Geneva flew to the United States to try to persuade the American Red Cross to resume dues payments before the federation's fall assembly. The American policy was counterproductive, causing unhealthy tensions within the international movement, he said. The board member from Louisiana was persuaded to reconsider, and so were others. They didn't like the idea that Healy was forcing the American Red Cross to take a strong political stance, because one of its credos was neutrality.

In an Oct. 3 closed-door meeting, the executive committee voted 9 to 1 to second the Louisiana board member's motion to stop withholding dues. The vote was tentative, pending future discussions. But Healy found out about the vote as the board members emerged from their session, considered it decisive and exploded.

"I said, 'This is not the time to do this,' she told me. "I said, 'You can't overturn this principle in a secret proposal in a secret session. Deserting Israel right now—what's the signal that you're sending?' They got mad at me. Later, they said I was insubordinate. It was all downhill from there."

At about that time, Terry J. Sicilia, a chapter director in Denver, wrote a letter to a senior vice president at headquarters to express his disappointment in Healy's leadership since Sept. 11. He asked, "Do you really feel the need to raise more money and blood?" He was concerned in part that the Sept. 11 fund-raising drive would make it more difficult for local chapters to raise money for their own needs.

Sicilia's letter was leaked to the Chronicle of Philanthropy Web site, which is checked daily by those in the charity world. It opened up the internal drama of the Red Cross to the public eye, and it helped create a drumbeat against Healy.

Healy, however, was getting mixed signals from within the Red Cross. In mid-October, she received a huge bouquet of flowers from the Watergate Florist with a card that read, "Thank you for being a truly great boss." It was signed by 11 senior Red Cross executives, including Decker, "and our 1.6 million colleagues." She placed the card on her mantel—and later gave it to me, saying, "I don't want this anymore." Shortly after getting the flowers, Healy received a standing ovation from Red Cross executives who traveled to Washington to attend a weapons-of-mass-destruction-preparedness seminar. "I could have gotten a sunburn from all that warmth," she said.

Nonetheless, after the firing of the DOC women, the creation of the Liberty Fund by fiat and the blowup over the Israel issue, Healy's departure was becoming inevitable. "Bernadine brought discipline, authority and accountability to the American Red Cross," McLaughlin said. "But every time she took a strong position, a little more of her capital with the board was spent. At a certain point, you can't recoup."

On Tuesday, Oct. 23, the governors met to vote on whether they had confidence in Healy's leadership. Some sat in the board room in D.C.; others were piped in by speakerphone. In the end, six members voted for Healy, three abstained and about 27 voted against her, according to McLaughlin. By that count, 14 of the board members did not participate in the vote. Gloria White, a retired vice chancellor at Washington University, was one of very few board members who spoke on the record about the decision. She gave me a succinct statement about Healy: "She was one of the finest leaders the Red Cross has ever had." Then she said: "It will have to rest there. There's nothing to be served by going beyond that. They have made their decisions."

McLaughlin said that he recommended that Healy's departure be put off for six months, but that he did not prevail. Three days later, McLaughlin and Healy appeared together publicly to announce her resignation. Healy told me that McLaughlin wanted her to say that she was exhausted; as someone who prides herself on her stamina, she bristled at the very notion. So instead, she and McLaughlin gave *no* reason for her departure. Reporters were puzzled; they pushed Healy to explain why she was "abandoning" the Red Cross. Healy, growing teary-eyed, said that she had no choice; she was forced out. McLaughlin, sticking to the original script in which they were going to keep this fact hidden for the sake of her dignity, then denied this. It was, she said later, the "press conference from hell."

A few days later, she wrote a letter to the board: "Maybe you wanted more of a Mary Poppins and less of a Jack Welch."

Shortly after Healy's resignation, hundreds of Red Cross executives from around the country gathered in an all-white ballroom on E Street NW in Washington for another "W.M.D.," or weapons-of-mass-destruction workshop. This time, Healy was not invited. But her face stared up from the cover of *The Humanitarian* magazine at every place setting. "If they were trying to disappear her, they should have lost the magazine," one woman in a red jacket whispered. Her colleague pointed to a faux balcony hanging over the ballroom, saying that he kept expecting Healy to appear. "Don't cry for me, disaster relief workers," someone joked.

The workshop did not impart a tremendous amount of new information. But it did serve unofficially as a kind of pep rally for those who felt, in a nondenominational way, that they had been doing God's work since Sept. 11 and did not deserve to have their good intentions maligned. The public questioning of the Red Cross had intensified in the wake of Healy's departure, and while some in the room resented her for that, most resented the "negativity of the media" instead.

Barry White from South Carolina passed around a cartoon from *The Oregonian* that elicited groans and "darns!" The cartoon showed the Statue of Liberty lying on a cot waiting for blood as Dracula, on the next bed, sucked from the donations. The blood bag was labeled "Sept. 11th Aid," and the vampire wore the Red Cross logo on his chest.

There was an air of defiance—and denial—in the ballroom that day as national officials set out to pump up spirits. Some sounded almost like preachers. "Since Sept. 11, the network has been working in miraculous ways," an executive vice president told the crowd. He intoned a sacred tenet: "As we all know, we're the first on the scene and the last to leave." A Philadelphia chapter executive told a story about a volunteer who "forever changed" the life of a little boy, as "Red Cross volunteers do again and again and again."

Only at the end of the day did some rise to interrupt the cheerleading, like a New Jersey executive who began by suggesting that his colleagues realize the Red Cross is not "omnipotent." At this point, I was hustled out of the room by a senior public-relations executive (who later left the Red Cross) so that the assembled could have a "free and open discussion."

It had taken me weeks to penetrate the Red Cross, which seemed excessively skittish of observation, much less of scrutiny. Eventually, McLaughlin intervened and got me into the ballroom that day and later inside the Red Cross's new, post-Sept. 11 call-in center outside Washington. In its nervousness about media scrutiny of its troubles, the Red Cross had been hiding its assets too—people like Cyndi Sadler, a volunteer from Louisiana who was, weirdly, sitting in a converted Levitz furniture store in suburban Virginia fielding calls from World Trade Center widows.

As I approached, Sadler was signing off a call to New Jersey. "I couldn't get you off my mind all weekend," she said into the phone. "It just breaks my heart for y'all." Hanging up, Sadler shook her frosted blond mane. "She ended with 'God bless you,'" Sadler said. "Now that's some progress."

"This case I'm working?" she continued, taking a swig of Diet Dr Pepper. "The woman called Saturday irate, and I mean, iiii-rate. She was going to call the press. She had lost her sister in the World Trade Center, and she'd been trying to get benefits for her nephew. But somehow her paperwork got lost. Just plain fell through the cracks. So I let her vent; I took her lashes. And before long, she was eating out of my hands."

Sadler has a big heart and an easy laugh, and she was like many of the Red Cross volunteers I met: earnest and industrious and Middle American. The kind of person who will follow you into the ladies' room to continue a conversation and talk right through the stall door. "I think it's awesome that we live in a country like this, with a Red Cross to reach out," she said. It was hard not to be touched by her and by the massive display of volunteerism that she is part of, the people who didn't know much of anything about Healy or McLaughlin or the F.D.A. or the Liberty Fund. They just knew about giving three weeks of their time when disaster struck and about how it made them feel queasy when the goodness of an institution like the Red Cross was questioned.

I talked to Sadler the day after a grueling hearing in November, during which congressmen suggested to Healy that the Red Cross was punch-drunk with donations and pig-headedly ignoring its donors' desires for all their money to go directly to the victims. Representative Peter Deutsch, Democrat of Florida, told Healy, "I don't think anybody who wrote a check for the Red Cross expected it would be used for frozen blood."

At that point, the Red Cross was already doing a pretty good job of getting money directly to the victims' families—it had handed out emergency cash grants averaging $14,500 to 2,700 families—but it was making mistakes, and the mistakes were highlighted during the hearing. Russa Steiner of New Hope, Pa., the widow of a World Trade Center victim, had received only $1,244 for incidentals until her name was put on the witness list for the hearing. That listing prompted the Red Cross to discover that Steiner had "fallen through the cracks." Luis Garcia, manager of the gift program, told me later that Steiner's application had been approved but that a

Red Cross worker had accidentally left the requisition for her check inside her case file and closed it up. So just before the hearing began, the Red Cross hurriedly handed her $27,000, which made the organization look bungling.

Healy's testimony, a lame duck's defense of an institution that had just thrown her out, was almost painful to watch. Smiling through clenched teeth, she tried to explain why the Liberty Fund was never meant solely for victims of Sept. 11. She talked about why she thought the Red Cross needed to be girding itself for future terrorist acts. But her logic did not pierce the emotion in the room.

During the hearing, the Red Cross began receiving an onslaught of angry e-mail messages. Some 1,500 arrived between 6:30 p.m. and 8 a.m. the following day. A man named Philip wrote: "I am thoroughly disgusted and disappointed over your failing the families of victims from Sept. 11. I'll never contribute another penny or drop of blood."

To McLaughlin and Decker, it was becoming clearer by the day that the Red Cross had to do something. It could not simply lament that it was being misunderstood. It could not just say: "Trust us. We're the disaster professionals." That trust was shattered.

So the Red Cross backpedaled away from controversy as fast as it could. In a stunning reversal, McLaughlin and Decker held a news conference in Washington on Nov. 14—carried live by CNN—to say that it would spend the entire Liberty Fund to care for the victims of the Sept. 11 attacks, their families and the rescue workers. "With this action, we hope to restore the faith of our donors and the trust of the American public," McLaughlin declared.

Two weeks earlier, McLaughlin had told me that Healy's concept for the fund was "just right." In fact, the Red Cross could have stuck by it, if it were not for its desire to repent. A senior official explained it to me rather crudely, insisting it was "moronic" to use the whole Liberty Fund as "an A.T.M. machine for the victims' families." Almost half of the fund was pledged by corporations, he said, and the corporations may well have agreed to redirect their money toward, say, a blood reserve. This would have allowed the Red Cross to respect the public's desire to support the victims, and only the victims, while sticking to its plan.

But the Red Cross needed to quell the furor and so chose a concrete, sentimental response rather than what might well have been a wiser policy.

It also decided—after many angry e-mail messages from American Jews—to continue to withhold its dues from the international federation and reaffirm its commitment to Israel's equivalent of the Red Cross. ("They didn't want to make Healy a martyr is what we heard," an official in Geneva said.)

Those actions took the public pressure off the American Red Cross, and as McLaughlin and Decker had hoped, the organization faded from the spotlight. What will happen inside remains to be seen. Clearly, the American Red Cross's problems transcend Healy and will outlive her unless the stresses of Sept. 11 succeed in shocking the organization through a real transformation.

McLaughlin and Decker are ambitious about reform, along the same lines that Healy was, although they hope to accomplish more by using gentler tactics. Still, Decker, who expects to serve from six months to a year as interim C.E.O., is talking tough. "People will be held accountable for performing," Decker says. "If we have to change some culture here, that's what's going to have to happen. People can vote with their feet if they don't like it."

McLaughlin, for his part, said he does not want to recruit a replacement for Healy until he restructures the governance system that keeps undermining Red Cross presidents. He cannot slim down the board unless he goes to Congress and asks it to revise the Red Cross charter, which is cumbersome. So he will seek to make the powerful executive committee more representative of the board at large—that is, to reduce its dominance by Red Cross insiders. He also wants to establish qualifications for board members so that loyalty to the Red Cross alone, while honorable, is not enough.

Inside the Red Cross, these are fighting words. And McLaughlin and Decker are not Red Cross lifers. There is no telling what kind of resistance they will encounter and how they will handle it.

Back in Ohio, Healy's moods shift as she tries to understand how she went from commanding a historic relief effort to overseeing her suburban household. When she is her usual confident self, she declares that it is common for boards and presidents to clash. But when she is blue, an uncharacteristic state for Bernadine Healy, she laments that she was all wrong for the Red Cross and that she failed at something very important. "So much potential for greatness," she says, her voice trailing off. And though she is talking about the organization, it sounds for one moment as if she is talking about herself.

Chapter 11 Review Questions

1. In your own words, can you describe the Wise concept of "public service culture"? What does the author mean by that term? What assumptions about human nature does her motivational concept rest on? Do you believe these are valid assumptions?
2. Why does Wise argue that public service motivation is found more often in government than business or elsewhere? Do you agree or disagree? Why or why not?
3. Regarding the foregoing case study, "Who Brought Bernadine Healy Down?", describe the various cross-pressures and multiple responsibilities that Healy faced. Why do these persisting cross-pressures and responsibilities make it so difficult to frame a clear, consistent motivational system in government or nonprofits?
4. Are public sector motives rooted in rational, norm-based, affective categories, as Wise's essay theorizes? Why or why not?
5. Given the difficult realities of the contemporary working environment of public administration today, how would you develop and implement an effective "public service culture" for a government agency? Assess some of the strengths and weaknesses of this system that you envisioned, as well as the difficulties in establishing it.
6. Select any one of the prior cases in this text and examine carefully the motivations of one or more of the public officials. How do these motives compare and contrast with those discussed in Case 11—are they the same or fundamentally different? Explain why.

Key Terms

public service motives
public service culture
rational motives
norm-based motives
affective motives
normative orientation
rule-following behavior
self-interested motives
normative values
engagement
professional management

Suggestions for Further Reading

Public personnel administration is a field of enormous complexity, specialization, and rapid change, and, therefore, looking at current basic introductory texts offers a good overview: N. Joseph Cayer, *Public Personnel Administration in the U.S.*, 4th ed. (New York: St. Martin's, 2005); Dennis Dresang, *Public Personnel Management and Public Policy*, 4th ed. (Reading, Mass.: Addison-Wesley, 2001); Steven W. Hays and Richard C. Kearney, *Public Personnel Administration*, 4th ed. (Englewood Cliffs, N.J.: Prentice Hall, 2002); Lloyd G. Nigro, *The New Public Personnel Administration*, 6th ed. (Itasca, Ill.: F. E. Peacock Publishers, Inc., 2006); Carolyn Ban, *Public Personnel Management*, 4th ed. (New York: Longman, 2005); Evan M. Berman, James Bowman, and Jonathan West, *Human Resource Management in Public Service*, 2nd ed. (Thousand Oaks, Calif.: Sage, 2005); Donald Klinger and John Nalbandian, *Public Personnel Management*, 5th ed. (Englewood Cliffs, N.J.: Prentice Hall, 2002); Norma Riccucci, *Public Personnel Management*, 4th ed. (New York: Longman, 2006); and Dennis D. Riley, *Public Personnel Administration*, 2nd ed. (New York: HarperCollins, 2001). To supplement these introductions, students should further examine the basic *framing* documents of public personnel, such as the Civil Service Act of 1883, the Hatch Act, the Civil Service Reform Act of 1978, as well as several others contained in Frederick C. Mosher, ed., *Basic Documents of American Public Administration: 1776–1950* (New York: Holmes and Meier, 1976), and Richard J. Stillman II, ed., *Basic Documents of American Public Administration: Since 1950* (New York: Holmes and Meier, 1982).

For the best history of the American civil service system, see Paul Van Riper, *History of U.S. Civil Service* (New York: Harper & Row, 1958). For an insightful view of personnel practices at the local level, read Frank J. Thompson, *Personnel Policy in the City: The Politics of Jobs in Oakland* (Berkeley: University of California Press, 1975); and for a view of its operation at the federal level, see Frederick C. Mosher, *Democracy and the Public Service*, 2nd ed. (New York: Oxford University Press, 1982); Patricia W. Ingraham, *The Foundation of Merit: Service in American Democracy* (Baltimore, Md.: Johns Hopkins Press, 1995); Paul Light, *The New Public Service* (Washington, D.C.: The Brookings Institution, 1999); or Hugh Heclo, *A Government of Strangers: Executive Politics in Washington* (Washington, D.C.: The Brookings Institution, 1977). Articles contained in the "classics" series on personnel give readers a useful overview of the scope, diversity, and complexity of this field, especially in Frank J. Thompson, ed., *Classics of Public Personnel Policy*, 2nd ed. (Monterey, Calif.: Brooks/Cole, 1990) as well as other contemporary sets of readings in Patricia W. Ingraham and Barbara Romzek, eds. *Rethinking Public Personnel Systems* (San Francisco: Jossey-Bass, 1994); and for recent international comparisons, read Jos Raadschelders, Theo Toonen, and Fritz Van der Meer, eds., *The Civil Service in the 21st Century* (New York: Palgrave MacMillan, 2007).

Excellent sources for further readings on personnel motivation are also found in chapters 6 and 7 in Hal G. Rainey, *Understanding and Managing Public Organizations*, 4th ed. (San Francisco: Jossey-Bass, 2009). For three recent thoughtful essays, read Gene Brewer et al., "Individual Conceptions of Public Service," *Public Administration Review* 60 (May/June 2000); Sue Frank and Gregory Lewis, "Who Wants to Work for the Government?" *Public Administration Review* 62 (July/August 2002); Laurance O'Toole and Kenneth Meier, "Public Management, Personnel Stability, and Organizational Performance" *Journal of Public Administration Research and Theory* (January 2003); and the Academic-Practioner Exchange, "What Does Merit Mean?" *Public Administration Review* 66 (July/August 2006), pp. 484–504 and in the same issue, "Motivating Employees in the New Governance Era," by James Perry, Debra Presch and Laurie Paarlberg, pp. 505–514.

. Other current writings on personnel motivation include Linda Holbeche, *Motivating People in Lean Organizations* (Woburn, Mass.: Butterworth-Heineman, 1998); Barbara Glanz, *Handle with Care: Motivating and Retaining Employees* (New York.: McGraw-Hill, 2002); Janet and Robert Denhardt, *Creating a Culture of Innovation* (Arlington, VA.: Pricewaterhouse Coopers Endowment for the Business of Government, 2001).

At the federal level, the Volcker Commission Report for a federal review of this topic, *Leadership for America* (Lexington, Mass.: Lexington Books, 1990), or for the local level, Frank J. Thompson, ed., *Revitalizing State and Local Government* (San Francisco: Jossey-Bass, 1993), as well as the entire 2008 Special Issue of *Public Administration Review*, entitled "The Winter Commission Report Revisited," (November/December 2008), provide numerous specific ideas for improving public service motivation throughout government. Norma M. Riccucci's *Unsung Heroes* (Washington, D.C.: Georgetown University Press, 1995) offers good examples of what motivates outstanding federal executives.

One would also do well to skim current issues of *Public Administration Review, Harvard Business Review of Public Personnel Administration, The Bureaucrat*, and *Public Management* for recent and fast-changing trends in the field of personnel. One should also visit the government management Web site at www.govleaders.org to sample the numerous problems.