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, qualify 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?