

# The american red cross



**ASSIGN  
BUSTER**

Clara Barton founded the American Red Cross (ARC) in 1881. Clara was inspired by the work of the International Red Cross while she visited Europe during the Franco-Prussian War. Bringing the organization to the United States was a good move because it for the domestic and international relief missions. The ARC follows seven fundamental bylaws they are: humanity, impartiality, neutrality, independence, voluntary service, unity, and universality (Ferrell, Fraedrich, & Ferrell, 2011). Business ethics comprises the principles values and standards that guide the behavior in the world of business.

Business ethics may not always be right or wrong, but the judgment influences its reputation in society (Ferrell, et. al. 2011, p. 7). Ethics contribute to employee commitment, investor loyalty, customer satisfaction, and profits. The American Red Cross (ARC) was criticized due to its ethical behavior during the disasters of both September 11th and Hurricane Katrina. The employee commitment harmed the organization because of the mishandling of funds, the sudden resignations of the president and chief executive officer due to unscrupulous actions of employees. ARC's reputation had become severely damaged because of this misconduct.

Investor loyalty was diminishing due to ARC not following what it said it would do. Following September 11, funds were raised in an astonishing amount, and was set up in a separate fund for the victims and the ARC decided it would only disperse approximately one-third of it to victims and use the other two-thirds to increase the organizations preparedness for and to respond to other future catastrophes. This caused an uproar because the monies raised was supposed to go to the victims of this disaster and they

found it necessary to try to justify why they should keep a majority of those funds.

But, in the end the monies were distributed to the victims and their families. Customer satisfaction is one on the most important factors in a successful business strategy (Ferrell, et. al. 2011). With the changes that were happening within ARC the organization should have been developing its employees and volunteers in order to keep victims and their families from the mishandling of funds and miscommunications in their slow response to these natural disasters. Determine and discuss the role that ARC's stakeholder orientation played in this scenario.

The role that the stakeholders orientation played was when Senator Charles E. Grassley filed legislation to make ARC more transparent. Although charitable organizations do not seek to make a profit per se they do hope to make a profit in order to improve upon programs and securing future standings. The many turnovers within the organization was blamed on the oversized board of directors. The constant change was a huge hindrance and did nothing to address the problems.

Then Gail McGovern, the new CEO, decided to split the number two position into three separate president-level positions. By encouraging corporate partnerships, it put companies in a good light because they could help not only the victims it also helped to demonstrate the compassion and concerns of the stakeholders. Determine and discuss the ways in which ARC's corporate governance failed to provide formalized responsibility to their stakeholders. The corporate governance principles of the ARC are found in the Congressional Charter of the American Red Cross.

The corporate governance failed in communications, mismanagement of funds and with its volunteers, the accusations about improper management of the donations left public unsatisfied by the inadequate relief efforts viewed by media outlets. There was fraudulent and inefficient decisions made by ARC and as a result the Government Accountability Office (GAO) gave a report on these inadequacies. The GAO found that the National Response Plan written by the Department of Homeland Security found that the ARC and Federal Emergency Management Agency (FEMA) had not properly followed the guidelines.

ARC failed to maintain working relationships with others or gain expertise in their job functions. Recommend steps that ARC could follow to improve their stakeholder perspective. The steps that ARC could follow to improve its stakeholder perspectives, is by assessing the corporate culture. When the attacks on the World Trade Center happened the Pentagon should not have had to contact the Red Cross president as to their whereabouts.

This is what I believe has shaken the confidence of stakeholders because of the miscommunication of governmental agencies. Mismanaging donations is another corporate of those who willingly give to help others because charitable organizations are misusing the monies for something other than the victims. Identifying stakeholders is another and this is when donors now have a degree of uncertainty as to whether donating to ARC is feasible and/or sufficient enough due to the increase in charitable organizations in the past twenty years.

As stated earlier with all of the turnovers within the organization due to expensive compensation packages being awarded to top executives to the

embezzlement of funds ARC faces many ethical challenges that could dishearten stakeholders. Identifying the issues within ARC from a marketing perspective would be a good way to improve upon stakeholder perspectives. By being open and honest, and transparent ARC addressed situations to better respond to disasters by developing strategic plans to better accomplish these goals.