

American red cross swot analysis



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The American Red Cross is a nongovernmental, nonprofit organization that is led by volunteers, whose purpose is to prevent and relieve human suffering. The American Red Cross is part of the International Red Cross organization and is the largest supplier of blood in the United States. Its assistance in providing relief to victims of natural and man-made disasters and helping people prevent, prepare for and respond to emergencies has helped the American Red Cross create a brand name that has led to many successes, but has led to some difficulties as well.

In order to achieve a better understanding of the organization, its environment, and its future plan of action we first examine the organization by using SWOT analysis. Then we look at a financial aspect of the American Red Cross. Next, we will look at some symptoms of the organization to determine a core problem and after the main problem is identified, we will list several recommendations for the organization. We then will conclude with the best alternative for the organization's situation.

SWOT Analysis

The American Red Cross's primary focus is to help those in need during a time of crises. The organization adds value because it has a great influence and provides services that many people depend on in times of hardship due to disasters. It has a reputation of having helped victims in over 63, 000 natural and man-made disasters. The American Red Cross has a competitive advantage because it is a trusted organization and it has loyal supporters, but in 2000 the American Red Cross received a lot of criticism for decisions it

made and for how it handled its money, which led the public to question the motives of the American Red Cross.

In this section we will examine the American Red Cross using SWOT analysis. SWOT analysis is a tool used to evaluate an organization's internal and external environment to determine whether certain factors are helping or hindering the company from reaching its goals. We will look at the strengths, weaknesses, opportunities, and threats of the American Red Cross and use this analysis to better understand the organization's core competencies and develop ways to mitigate its weaknesses and threats.

Strengths

Diversified services. The American Red Cross helps victims through 6 services in all. They range from providing assistance to military families in emergency to offering health and safety classes. So it helps people to be prepared to deal with the unexpected accidents and also give people immediate relief, which means getting people what they need most without waiting a day or more -- food, lodging, clothing, medication replacement, and mental health counseling.

Strong brand name and loyal supporters. The American Red Cross has a 130-year history of providing the most extensive relief efforts for American people and it supports victims of thousands of disasters across the country each year. Since it has been around for so long and provided a lot of services to the public it has gained many loyal supporters who look up to them and support their efforts and are willing to donate time and money.

This is a great strength because American Red Cross gets most of its funds from the public donations of blood and from the donations. Because they have developed a strong brand name and have had much success many people trust them. The red crescent symbol and the red cross emblem is a recognized symbol. Strong Alliances. The American Red Cross has established a number of relationships with other organizations.

Teaming up with different organizations provides a competitive advantage because these alliances have helped the American Red Cross expand its services and increase its donations. For example, the American Red Cross joined forces with Masterfoods USA, in which they created a special pack of M&Ms and advertised via television, radio, and newspapers and all of the donations went to American Red Cross, which was \$3.5 million.

Other strengths:

Abundant capital and funding. Because the American Red Cross is a well-known organization and has touched the lives of so many people, the American public trusts the organization and are willing to make huge donations. The organization receives more than 60% of its revenues from its blood sales and in order to do so people must donate that blood. Premium organizational structure. Because of disasters geographic dispersion and the peculiarities of local markets, nonprofit organization like the Red Cross could not possibly execute all of their strategies alone; they must rely on other people.

This is done by creating an organizational structure that permits effective decentralization. The Red Cross is highly decentralized. A board of directors

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that formulates policy and delegates authority to the volunteer boards of its 1000 local chapters governs the American Red Cross. Decentralization allows the Red Cross to provide immediate, effective and efficient assistance to those in need. It allows the organization to run smoothly.

Weaknesses

Distracted. The Red Cross has to coordinate its effort among 1, 400 chapters and to expand its reach across America, also the American Red Cross has many services across the whole country, such as biomedical services, community services, and disaster services, so it may not have the flexibility of some of its more focused competitors. The company has to stretch its efforts to cover all facets of its services. Information clarity. The American Red Cross got a lot of slack from different media channels because of the information or lack of information that was provided in a number of instances.

The operations of the company were questioned and the issues at hand were misconstrued. The American Red Cross did not provide detailed information about the specifics of where funds and donations were going during disasters. Poor labor relationships. The American Red Cross had a lot of different services and during disasters it required a lot of time from the volunteers and workers. The workers felt that they were not treated fairly and went on strike because of long work hours, frequent schedule changes, and an increase in their health benefits. They were focused on helping those affected by the disasters that did not take care of their own people.

Other weaknesses: Cost of website. The American Red Cross entered into the technology realm and created a website so that it could provide more information to the public in a quicker and more effective way. In order to move into this industry the company must take into consideration the cost of maintaining the new site, the cost of hiring employees to run the site, costs associated with connecting web site to databases, creating graphics, logos and other marketing collateral, and adding multimedia and other types of content. A typical Web development team will include a dozen or more people, each with a particular specialty. All of them together are expensive expenditure. Not innovative. In the type of industry American Red Cross is in it is hard for them to keep up with all the new technological advances. Its focus is on providing services to people during disasters so they did not make a lot of technological advances.

Opportunities

New technologies. American Red Cross has already entered into the internet market and now it has the opportunity to expand in that industry and also move into other technologies. It can enhance its current site by adding new features. In the case, it was mentioned that the organization has the opportunity to allow people to enroll in online courses. This would be convenient for those that are not able to go to the actual location for courses. It was also mentioned that American Red Cross could offer an online shopping network in which it could sell its products to the general public.

They could also expand into the cell phone industry in which they offer application where people can donate by phone or allow them to use their

phone to track family members that have been involved in natural disasters. More alliances. The American Red Cross has the opportunity to connect with a number of well-known companies so that it can expand its products and services and build on its name and reputation. They already have a lot of cooperation with other companies, so adding more would help build a stronger brand image, assist in fundraisers, and get more accurate information out faster.

Celebrity endorsements. Since the American Red Cross is a charity organization it should be easy to persuade different celebrities to become spokespersons for the organization. It would be great publicity on both ends. People look up to celebrities, so they would be more likely to help out if they see someone they admire or someone with great influence doing the same.

Other opportunity:

Innovation. Since all of the blood donation has a due time to use, if they don't have chance to use them, they will be wasted. So they can innovate some advanced technology to extend the expiration time to keep those blood donations. Then they can call for blood donations when there were very few blood recipients and store them for emergency.

Threats

Bad publicity. The bad publicity the American Red Cross faced was a big challenge for them. There was a stream of negative publicity throughout a 24-month period. The American Red Cross could not control what was said in the media, it could only defend itself by putting out statements to correct the inaccuracies. Competition. Since the American Red Cross is number one in

its industry it could become the target of competition. The cost of producing many consumer products tends to have fallen because of lower manufacturing costs. This leads to price competition, resulting in price deflation in some ranges. An increase in price competition is a threat to the company.

Also, the American Red Cross was party to a lawsuit because a company felt that they unfairly traded blood. In this case, if competitors find out about this they may find ways to steal away the customers the American Red Cross currently has and the American Red Cross makes most of its money from biomedical services. Uncertain work environment. Accidents and disasters cannot are very uncertain so the work environment is forever changing. This can lead to frustrated workers who cannot handle the pressure of an inflexible schedule. When an accident happens, there must be a sense of urgency in which the people are working as quickly as they can to alleviate the problems and assist those in need so it can be very fast paced.

Other threats:

Strict regulations. The American Red Cross must meet some regulations and codes while trying to expand its products and services and maintain a competitive advantage. An example is the Sherman Antitrust Act, in which they were defendants in a lawsuit for. It must make sure it is in compliance with all regulations and with the law.

Financials

The American Red Cross earns majority of its revenues from its biomedical services. The other major sources are contributions from the public and grants, and investment income. Majority of its expenses come from biomedical services, disaster costs, and funding disaster services.

If we compare changes in revenues and expenses from fiscal year 2000-2001 with fiscal year 2001-2002 we see that the percent increase in revenues is approximately 50.09% $((4.117 - 2.743) / 2.743)$ and the percent increase in expenses is approximately 31.63% $((3.570 - 2.712) / 2.712)$. This shows that even though expenses increased, so did revenues and they increased by more than expenses. This is good for the organization because having more money come in than go out leads to profits that can be used for investments and expansion.

When deciding on whether the American Red Cross would want to improve in technological areas, it should consider all costs associated with setting up these new ventures and compare it to a forecasted sales goal to see if the investment is worth the risk. To analyze the American Red Cross's profit we will look at its profit margin to see if it is currently operating efficiently, earning more than it is spending.

The American Red Cross's profit margin for fiscal year 2001-2002 is around 13% $((4.117 - 3.570) / 4.117)$ and its profit margin for fiscal year 2000-2001 is around 1% $((2.743 - 2.712) / 2.743)$. This analysis shows that in fiscal year 2000-2001, the American Red Cross was only making \$.01 for every \$1 in sales but it has increased to \$.13 for every dollar. Higher margins are better for the company so the increase within those fiscal years show progress. The

issues that arrive concerning the public, are where specifically does the money go, how is that money used, and is it fairly reported on financial statements.

Symptoms

The warning sign for the American Red Cross that led up to the major problem, was the ambush of negative publicity targeted at the organization one after the other. In the unfair trade lawsuit, the American Red Cross was accused of behaving in a monopolistic way in that they unfairly priced their blood products in markets of no competition. The American Red Cross is a not for profit business but some thought that they were abusing their influence and reputation to get ahead unjustly. The negative publicity associated with the liberty disaster relief fund concerned the public and issues of how their donations would be allocated and the 60 Minutes tidbit insinuated that the American Red Cross could not be trusted. All of the negative publicity within those 24 months led up to one major problem for the American Red Cross and that was that it was losing the public's trust.

Problem

The American public began to lose faith in the American Red Cross after all of the media criticism. The organization was portrayed as not living up to their fundamental principles. The American Red Cross is a charitable organization, so it must gain and maintain the trust of the public in order for it to succeed. The people must trust and believe in the organization's work. If Americans believe in the American Red Cross and what it stands for then they are more willing to donate their time, money and effort, if not, they are

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more likely to contribute elsewhere. The foundation upon which the American Red Cross is built on is helping and impacting the lives of others. When the workers went on strike, it seemed as though the organization was more focused on helping others that it did not take care of its own employees.

This contradicts its value of humanitarianism and respect because the workers worked long hours, along with having inflexible schedules. Without the help of volunteers and workers the American Red Cross would not have the success it has today. The allegations made by HemaCare Corp, if true contradict the organization's value of integrity. The outrage by Americans concerning the distribution of funds during September 11th goes against their value of stewardship because the public did not feel as though the American Red Cross was behaving responsibly by allocating the funds donated for September 11th for matters of the organization. The issues with the Better Business Bureau and 60 Minutes involve the integrity of the American Red Cross in which they provide information in a timely fashion and openly express its financial objectives and its general intents so that no assumptions can be made. The managers of the American Red Cross are now faced with the challenge of gaining back the trust and loyalty of Americans because the continuous media backlash may have caused some people to stray away.

Recommendations

Form more alliances. The American Red Cross should build off of strengths and opportunities. One of its strengths is that it has strategic alliances with

other organizations. This is a great strategy because it helps expand products and services. The American Red Cross should strengthen its current relationships with the organizations and it should look into forming more alliances. If they form alliances with well-known trusted companies they may be able to gain the respect, trust, and loyalty back from the people.

The new alliances would also help bring in more revenues, by helping with fundraisers and accepting donations. Utilize more technology. The American Red Cross has already set up a website, now it should enhance it by adding more features. It should allow people to enroll in courses online, make purchases of different products, and make donations. More people are using the internet now so it will be very convenient for people to be able to go online at any time of the day to get updates on events, purchase products, make donations, and get information on the American Red Cross in general. To help with the problem of Americans losing trust they could provide more financial information on their site and have areas that show where donations that are being made are currently. An issue management should consider when looking at this alternative is the costs associated with technological advances and upkeep.

Counteract negative publicity. The negative publicity is a threat for the American Red Cross and it was a main cause of the problem. The American Red Cross should try to offset anything that puts them in a negative light by making sure they are always prepared and ready to defend themselves. So far they have done a good job in responding to the criticism but it must make sure that it reassures the people as well that there is nothing they should worry about. The problem here is that it will be hard to prevent all

negative publicity from happening and it is hard to please everyone so there may be an issue here and there but as long as the American Red Cross can back it up and not compromise what it stands for it can alleviate the worries of the public.

Best Recommendation

Form more alliances. This is the best solution for the American Red Cross because it diminishes the problem and while adding value to the company as well. The public would begin to believe in the American Red Cross again once they see that it is making full efforts by teaming up with well-known companies and improving its image. If the well-known red crescent or red cross image is located just about everywhere you go it becomes engraved. It shows the company has recognition and is highly favored so joining forces with other well-known companies is a great strategic move. The companies could help with fundraisers and donations from its own customers. For example, if the American Red Cross linked up with grocery stores they could have promotions where if people spent a certain amount then the grocery store would donate something to the American Red Cross. Or at checkout it could have an option to add a donation for the American Red Cross at the time of payment.