The American Red Cross: Deficient, Ineffective, & Non-transparent?

**Executive Summary**

In order to regain donors trust, The American Red Cross must develop policies that allow for the sharing of information and develop additional services to sustain a presence in the market. The American Red Cross is still not trusted by donors after the way that donation funds were used during the aid of Haiti after the earthquakes in 2010, superstorm Sandy, and hurricane Harvey in the United States. There are also a number of organizations that have come into the same market space as The American Red Cross in the past 5 years, which present a threat to the work of The American Red Cross.

**Recommendations**

1. Reassess or create policies concerning how donation funds are used within different types of relief efforts and differing locations.
2. Reconsider or create procedures to inform all executives on all relief efforts and allow for transparency.
3. Reevaluate or create policies to share all relief and aid projects with greater detail.
4. Focus on unique marketing campaigns to establish and keep a niche in the growing competitive market.
5. Review web-based platforms and ensure that all function without any flaws.

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On October 4, 2016, Hurricane Matthew, a category 4 hurricane with torrential rain, huge storm surge, and 145 mph winds hit Haiti. The U.N. Office for the Coordination of Humanitarian Affairs estimated that 2.1 million people were affected with 1.4 million of those affected needing humanitarian assistance including shelter, food, clean water, and household goods (World Vision 2019). As a result of the hurricane damage, Haiti faced a food security crisis as their agricultural plots, seeds, and irrigation systems were destroyed in the “bread basket” of southern Haiti (World Vision 2019). On August 25, 2017, Hurricane Harvey made landfall in Texas, the first major hurricane to strike southern Texas since Hurricane Celia in 1970 (World Vision 2018). Harvey caused $125 billion in damage and is the second-most costly hurricane to hit the United States mainland since 1900 (World Vision 2018). In both cases, The American Red Cross was a part of the response to these natural disasters. However, after investigations about previous relief efforts in Haiti after the 2010 earthquakes, donors are apprehensive due to the evidence of donation misuse and lack of transparency. Therefore, donors are more likely to donate to another charity organization in the same market as The American Red Cross.

The American Red Cross’s mission statement professes that they desire to prevent and alleviate human suffering in the face of emergency by mobilizing the power of volunteers and the generosity of donors (*American Red Cross Mission Statement* 2019). Their vision statement articulates that through its strong network of volunteers, donors, and partners they will always be there in times of need (*American Red Cross Mission Statement* 2019). However, in recent years The American Red Cross has faced accusations on the misuse of donations, lack of details regarding the aid they have supplies during times of natural disasters, as well as issues with their web applications, marketing, and social media. In order to maintain and rebuild their donors’ trust as well as protect their organization in the expanding competitive market, The American Red Cross will need to develop policies to regain and maintain trust and develop additional services to sustain a presence in the market.

# **ISSUES**

*Misuse of Donations.* After an investigation in 2015 by ProPublica and National Public Radio (NPR), the use of donation funds was brought into question for The American Red Cross. NPR and ProPublica investigated where funds went to aid Haiti after the 2010 earthquake devastated its cities and found questionable spending and dubious claims of success (Sullivan 2015). The American Red Cross has been known for providing emergency disaster relief however, they have had very little experience in the difficult work of rebuilding in a developing country (Sullivan 2015). The American Red Cross raised over $500 million dollars to help provide aid, however, they did not seek out to work with local charities or local government to serve and allocate funds in the best way possible. Instead, facing the relief efforts as if they were in the United States. Therefore, the relief efforts were highly unsuccessful. Once this was realized by The American Red Cross it was too late. NPR and ProPublica found that The Red Cross gave much of the money to outside charity groups to do the hands-on work which added additional fees. The American Red Cross took a customary administrative cut, then the charities that received the money took their own fees (Sullivan 2015). The Red Cross also took out an additional amount to pay for “program costs incurred in managing” the third-party projects (Sullivan 2015). Much of the $500 million raised by The American Red Cross never reached the people in need. Afterwards The American Red Cross’s website and press releases stated that all of the money raised went to help 4.5 million Haitians, however, this is not possible because the population in the affected area was not that large, according to the former prime minister, Jean-Max Bellerive (Sullivan 2015).

NPR and ProPublica continued to follow the actions of The American Red Cross and after superstorm Sandy, more doubt was cast from their investigations. The American Red Cross struggled to meet the basic needs of victims in the first weeks after the storm according to internal documents and interviews (Sullivan 2014). The focus of the relief campaign was motivated by public relations instead of helping people in need. The American Red Cross national headquarters in Washington diverted assets for public relation purposes rather than providing aid. Forty percent of available trucks were assigned to serve as backdrops for news conferences and the little relief that was provided was unorganized (Sullivan 2014). The use of donated funds to support public relations and the unorganized relief that was provided led to the further distrust in the disaster relief of The American Red Cross. This distrust led to a lack of aid when hurricane Matthew hit Haiti in October of 2016 and when hurricane Harvey hit Texas in 2017. Donors were wary of giving to The American Red Cross and news media encouraged donors to give to local charities and organizations instead (Hamze 2016).

*Transparency.* Without the full support and trust of donors, the lack of transparency has not aided The American Red Cross. In 2010, after the earthquakes in Haiti, The American Red Cross had many claims of what they had accomplished to aid the Haitian population, but there was little to no proof. The American Red Cross’s math on how many Haitian civilians they helped was found to be inaccurate by a group of outside consultants hired by The American Red Cross (Sullivan 2015). The only information provided on financials was that the $500 million dollars in donation had been split into sectors , outlining with severely little detail the projects The American Red Cross funded. (Sullivan 2015). There were no specific programs that The American Red Cross ran, how much they cost, or what the expenses were (Sullivan 2015). It was then discovered by ProPublica and NPR in their investigation that most of the money donated did not even reach the people in need and the projects that were presented were never even started (Sullivan 2015).

Another example of the lack of transparency shown by The American Red Cross to the public and its donors is the lack of knowledge shown by Executive Brad Kieserman about the use of donations to provide relief for hurricane Harvey victims and the avoidance of questions concerning high administrative costs. In an interview with *Morning Edition* host Ailsa Chang, Kieserman was asked about how much of every dollar donated goes to fund relief, Kieserman, vice president of disaster operations and logistics, claimed he did not know the answer (Gonzales 2017). Then when asked about internal administrative costs, again, he did not know how much was covering administrative costs or how much in total was going to relief (Gonzales 2017). The relief for superstorm Sandy and for hurricane Harvey lacked transparency. The American Red Cross did not disclose that they struggled to provide for the basic needs of people in the first few weeks after superstorm Sandy but was discovered later through the investigation by ProPublica and NPR. It was also discovered that during the relief efforts for hurricane Harvey, emergency officials in Texas counties stated that The American Red Cross’s response was slow and sluggish (Wooser, 2018). The American Red Cross needs to address their lack of transparency in order to rebuild donor trust and faith in their organization.

*Marketing and Technology Flaws.* Ranked 21st on the Forbes 2018 100 Largest U.S. Charities, The American Red Cross now has many competitors within the same marketing space. Others include United Way Worldwide, Feeding America, The Salvation Army, Direct Relief, Samaritan's Purse, World Vision, and Habitat for Humanity (Barrett 2018). Many of these organizations have similar missions and visions statements as The American Red Cross as well as similar campaigns. For example, Samaritan's Purse’s International Crisis Response program compares similarly to the work and relief that The Red Cross provides (Samaritan's Purse *International Crisis Response*). Their websites both present good information and market their campaigns well, however in order for The Red Cross to maintain and increase their marketing presence they need something that makes them stand out. One marketing aspect that makes The American Red Cross stand out is that they accept blood donations and host blood drives (Baker *Where to Donate Blood*). The American Red Cross is one of a few charity organizations to offer this opportunity. However, even though blood donation creates a unique factor for The American Red Cross, the marketing campaigns need to be updated increasingly to achieve donation goals and maintain their market presence.

The American Red Cross also has faced technical issues with some of its online donation websites. When Hurricane Harvey hit Texas, The American Red Cross was running a program where they would give $400 dollars to every disaster victim via a website they designed and ran (Wooster 2018). However, this website was dysfunctional and broken down due to the heavy traffic as people flocked to the site to donate. These technical glitches delayed this program and was unable to accept donations, while other organizations donation websites functioned flawlessly (Wooster 2018). The American Red Cross must address any and all network and web issues as quickly as possible due to the increasing importance of web-based marketing and web-based donating.

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# **RECOMMENDATIONS**

In order to regain donors’ trust, The American Red Cross must develop policies that allow for the sharing of information and develop additional services to sustain a presence in the market. These will guarantee that donors can fully support and trust the work of The American Red Cross.

1. Reassess or create policies concerning how donation funds are used within different types of relief efforts and differing locations.

Due to the misuse of funds in recent natural disaster relief efforts, The American Red Cross must reevaluate current policies concerning funds, or even create new policies. The policies must put in place structure and procedures concerning how The American Red Cross will provide aid in differing situations of different countries and nations. They must work with local leaders and local charity organizations to determine the best path forward within relief projects. The American Red Cross will then be able to provide effective care and relief to specific people in need while using their funds most effectively.

1. Reconsider or create procedures to inform all executives on all relief efforts and allow for transparency.

It is unacceptable for any executive to not know about their own relief programs and not to be able to share that information openly. In order for donors to trust that their donations will be used most effectively, the leaders of the organization should be able to provide details and descriptions of what is taking place.

1. Reevaluate or create policies to share all relief and aid projects with greater detail.

In order to regain donors trust there must be a greater presence of transparency within The American Red Cross. As a charity organization that desires to provide for people in need there is no reason to mask details of relief and aid operations. Without details, donors will not trust the work of The American Red Cross and without donations The American Red Cross is unable to provide for people in need.

1. Focus on unique marketing campaigns to establish and keep a niche in the growing competitive market.

As more organizations appear that focus on the providing similar relief and aid to those in need, The American Red Cross needs to focus on maintaining their niche within the market. Blood donation is one of the unique marketing campaigns that The American Red Cross has and is the marketing focal point that The American Red Cross must focus on and expand in order to maintain and increase donations.

1. Review web-based platforms and ensure that all function without any flaws.

As the presence of the internet continues to grow and the attention of many donors is to participate in campaigns through web-based platforms, The American Red Cross must guarantee that all of their online platforms are performing flawlessly. Flawed websites lose donations and donors trust in an organization. If one area is flawed it raises the suspicions of donors to question the effectiveness and organization within the rest of the charity or organization.

In conclusion, if The American Red Cross desires to regain the trust of donors and potential future donors as well as remain relevant within the ever-growing market change is required. Policies regarding the use donation funds, how relief project are constructed, the transparency of information on relief projects, marketing campaigns, and the functionality of online platforms need to be evaluated, altered, and improved upon. As The American Red Cross combats these issues their donor base will grow and trust restored as they continue to serve.

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