

Case Research and Development Exercise on the American Red Cross

Hurricane Katrina and Rita were considered the most expensive disasters in the history of the United States. In 2005, Hurricane Katrina and Rita destroyed thousands of homes and displaced over one million people causing approximately \$81 billion in estimated property damage and over 1,500 deaths (GAO, 2007). The American Red Cross was one of the main agencies that responded to the disasters and they were heavily criticized by Congress, victims of the hurricanes, and the media for mismanagement of some of the disaster relief.

This paper will analyze the root causes that led to the American Red Cross being admonished. Part One will provide background information on the American Red Cross as well as briefly summarize the facts of the case. Part Two will analyze the issues of accountability and organizational capacity in the case. Part Three will identify the solutions that Red Cross has implemented.

Part One

Background

As part of the part of the International Federation of Red Cross and Red Crescent Societies, the American Red Cross is a humanitarian organization dedicated to providing emergency assistance, education, and disaster relief inside the United States. Headquartered in Washington D.C., the American Red Cross is part of a nationwide network of more than 800 chapters. The organization is governed by volunteers and supported by community donations. The Red Cross has more than a million volunteers and 30,000 employees who annually mobilize to provide relief to families (Wikipedia, 2007).

Facts of the Case

In February 2007, the United States Government Accountability Office published a report for Congress entitled “Disaster Assistance: Better Planning Needed for Housing Victims of Catastrophic Disasters” that found that the Red Cross “lacked operational plans for providing shelter and temporary housing in response to catastrophic disasters such as Hurricane Katrina and Rita” (GAO, 2007). First, the Red Cross’ response plan that is updated annually did not anticipate the magnitude of an event like Hurricane Katrina. The response plan did not have instructions for long-term shelter because in the experience of Red Cross that during most disasters victims are generally able to return to their homes within forty-eight hours following the event (GAO, 2007). Secondly, Red Cross shelters had problems with shortages of food, water, and trained managers who could operate large shelters

for extended periods of time. Lastly, the Red Cross had trouble communicating and coordinating with partner organizations that were working in the area to also provide disaster relief.

The media also played a critical role in assessing the performance of Red Cross in the Katrina and Rita disasters. The article published by the New York Times “Red Cross Faces Criticism Over Aid Program for Hurricane Victims” exposed how one of the Red Cross programs *Means for Recovery* was too secretive, strict, and limited funding made it difficult for victims to receive assistance from the program (Dewan, 2007). Red Cross’ *Means for Recovery* program had a budget of \$71 million and when it was initially started in October of 2006 it was not announced publicly. The news media reported that “many people who called the Red Cross offices were told that there was no such program or that the earliest appointment with caseworkers were in 2008 or 2009” (Dewan, 2007). The fact that families did not have an opportunity to apply was made more complicated by problems with application process. The *Means for Recovery* program application was twenty pages long and oftentimes families had to wait a lengthy period of time for a response.

Part Two

The difficulties that Red Cross had in providing disaster relief for Hurricane Katrina victims can be traced to the root causes of problem: issues with accountability and organizational capacity. Defining accountability for NGO’s is difficult because unlike governments who are held accountable through elections and businesses through shareholders, NGO’s have multiple stakeholders who they might have to be responsive to including the media, boards of trustees, partners, donors, staff, and academia, and the United Nations. Edwards and Hulme (2002) define NGO accountability as functional (accounting for resources, resource use, and immediate impacts) and strategic (accounting for impacts on other organizations and the wider environment on a medium to long-term basis). The Red Cross had problems with both functional and strategic accountability. Functional accountability requires that money be spent for its designated purpose. The Red Cross did not accomplish this goal with its *Means for Recovery* program. The New York Times reported that initially after the inception of the program that very few applications came in and Red Cross officials had to pressure local caseworkers to encourage clients to apply for the program. Moreover, the program was meant for “people who just needed a final push to get them permanently back on their feet” and not for people “who were one step away from living in their cars” and yet these were the types of individuals who were applying for *Means for Recovery*. The Red Cross also struggled with strategic

accountability in responding to Hurricane Katrina and Rita because they “had not developed strong and enduring local relationships in certain sections of hurricane-prone states” (GAO, 2007). This inability to establish cooperative relationships with local organizations was also extended to coordination problems with governmental organizations such as FEMA. According to the Department of Homeland Security the Red Cross and FEMA were oftentimes confused about each other’s role during Katrina relief.

Another reason why the Red Cross struggled with providing disaster relief for Katrina and Rita victims was based upon organizational capacity issues. Fowler (2002) defines organizational capacity as “the capability of an organization to achieve what it sets out to do: realize its mission”. In order to have the capacity to accomplish your mission and be effective an NGO must have the right organizational set-up and guidelines. Some of the guidelines that Red Cross set-up resulted in them having problems with effectiveness. First, the Red Cross did not have the capacity to provide support for all the hurricane victims. After the disasters struck Red Cross followed its existing response plan that called for opening shelters in 5 states and having 306 shelters open or on standby. This plan drastically underestimated the magnitude of destruction and the significant number of people who would need shelters. The Red Cross also struggled with food capacity. In a report to the House Committee in 1996, they found that Red Cross had difficulty obtaining enough food to satisfy the needs of people in the shelter. The Red Cross also had human resource capacity issues because they did not have enough trained managers to operate large shelters for sustained periods of time. Likewise the *Means to Recovery* program had organizational capacity problems because of all of the bureaucratic red tape involved in applying for the program. The program required that clients meet with caseworkers, fill out a lengthy application, demonstrate that they have exhausted all other resources before applying and wait a long time for a response.

Part Three

In the aftermath of Hurricane Katrina and the criticism the Red Cross received the organization has taken steps to better plan for future catastrophic disasters. Red Cross has launched a national pilot program to recruit and train corporate employees as local disaster response volunteers. As part of its pilot program they have also implemented measures to partner with local nonprofit organizations to help assist them with disaster assistance. They have also increased its supply inventory to help shelters provide one million meals per day and support 500,

000 people. They have also expanded its warehouse capacity for disaster response operation to more than 1.3 million square feet in over 30 locations in 24 states and territories (GAO, 2007). Lastly, in response to the negative feedback they received regarding its *Means to Recovery* program the Red Cross reduced the application from twenty to eight pages, decreasing the process time, and raising the caps on awards to \$20,000.