Firing Stirs New Debate Over Red Cross

By STEPHANIE STROM

Just as it seemed to have turned a corner, the American Red Cross finds itself in the spotlight again.

A day after the organization shocked its staff members and donors by firing its chief executive, Mark W. Everson, for having an affair with a subordinate, all its historic problems — including governance, past failures in its disaster relief efforts and continuing failures in its blood business — were up for discussion.

“They took forever to hire this guy because they were going to get it right,” said Trent Stamp, president of Charity Navigator, a Web site that rates the efficiency of charities based on financial statements filed with the government.

“They told everyone to be patient,” Mr. Stamp said, “because they were going to find one person with impeccable credentials to lead for the long-term, and for it all to unravel in six months is just another mistake, just like all of the others this organization had made before.”

That sense of dismay echoed throughout the charity world yesterday.

“The tragedy of this is that the American Red Cross is probably the best-known nonprofit organization in this country,” said Diana Aviv, president and chief executive of the Independent Sector, a nonprofit trade association. “When the stories about it are more about governance and management and less about how it saves lives, it’s sad and not just for the Red Cross.”

Mr. Everson appeared to have brought a level of stability to the Red Cross that it had not experienced in more than a decade. Even as he eliminated senior vice presidents and set what some thought were overly ambitious fund-raising goals, employees said, he was respectful of staff members and an ardent defender of the organization.

The wildfires that devastated Southern California last month were the first significant test of the Red Cross under his leadership, and it won generally high marks.

Additionally, governance of the Red Cross is being overhauled. The board has been reduced by roughly half and will be pared further, and an ombudsman hired by Mr. Everson is in place. The board chairman’s job, which traditionally has conflicted with the chief executive’s, has been limited to setting strategy, rather than involvement in day-to-day management.
“Historically, this is a board of denial, but in this case, they faced up to the problem and dealt with it promptly and head-on,” said Peter Dobkin Hall, a lecturer on public policy at the Hauser Center for Nonprofit Organizations at Harvard University. “That’s progress.”

But Renata J. Rafferty, a consultant to donors who was critical of the board for hiring Mr. Everson, said Congress should suspend or fire the board. “They showed far worse lack of judgment in bringing him to the organization and then firing him six months later than he showed,” Ms. Rafferty said.

She said Mr. Everson could have been sanctioned, put on unpaid leave or had his pay cut. “I’m sure there were sanctions that could have been taken short of firing the man,” she said, “which wasted the 18 months they spent searching for him, any money spent on that search and his six months’ worth of learning.”

A senior executive at the Red Cross who had been hired by Mr. Everson told board members about Mr. Everson’s relationship — with a married woman who is head of a Red Cross chapter on the Gulf Coast. Mr. Everson met the woman on trips that were part of efforts to restore the Red Cross’s reputation there. She is pregnant, two Red Cross executives said.

Some former executives said changes put in place after Hurricanes Katrina and Rita, like a stronger support system for chapters and improved logistical management of disaster resources, accounted in part for better operations during the wildfires.

“I think, operationally, this scandal doesn’t have any impact,” said Ed Kemery, an associate professor of management at the University of Baltimore who was a Red Cross volunteer in Louisiana after the storms and subsequently at headquarters in Washington, where he worked in the unit dedicated to investigations, ethics and compliance.

“The real question,” he said, “is whether there’s been any change in the culture, which is something that can’t be done incrementally, that involves going in and really shaking things up.”

Nonprofit experts said that the Red Cross needed to move quickly to fill its top job, but that its culture, which is averse to change, coupled with the missteps of over more than a decade, would make it a difficult job to fill.

“You need someone like Colin Powell to step in,” said Paul C. Light, a professor of public service at New York University who does an annual survey of confidence in charities. “But there aren’t that many national figures like that who’ll take the job, and within that pool, there aren’t any who know anything about disaster relief, let alone blood. And who would take this job under these circumstances, anyway?”