Ethics and the American Red Cross

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Ethical Dilemmas in Organizations

Most organizations face ethical dilemmas at one point, usually when there is restructuring, or miscommunication. Effective communication is the key to organizational excellence (Shockley-Zalabak, 2008). Ethics are moral principles that guide an individual's judgments about right and wrong (Shockley-Zalabak, 2008). Desai and von der Embse (2008) define ethics as standards of behavior that are expected by a group, organization, or society, which serves as guide for actions of human behavior. Unethical behavior usually emerges during periods of change, crisis, or transition, when organizations are most vulnerable (Bruhn, 2009). It is important for an employee to understand the work climate and culture to understand the organization's values and ethics.

Many people tend to equate ethics with their feelings. But being ethical is clearly not a matter of following one's feelings. However, feelings frequently deviate from what is ethical. Being ethical is not always the same as following the law. The law often incorporates ethical standards that most citizens abide by, but laws, like feelings, can deviate from what is ethical. When ethical questions turn into matters of law an organization can get into trouble and employee morale decreases, as realization of illegalities come to light. Desai and von der Embse (2008) discussed ethics perspectives, and determined that ethical considerations need to address behavior, intent, judgment, consequences and the decision maker's personal values. It is reasonable to believe that one's values, beliefs and moral principles can shape their decision-making by their moral framework (Aupperle, 2008).

Bruhn (2009) examined organizations that have gray areas where the border between right and wrong is blurred, and in that gray area a majority of decision-making takes place. Gray areas can provide space for coping with ethical dilemmas in organizations. Bruhn (2009)

developed a typology, which includes components of the organization's ethical culture, and the

individual's ethical choices, to explain the benefits and liabilities of gray areas in organizations.

The typology suggests that members of organizations are keen observers of discrepancies that

occur. Bruhn (2009) explored how gray areas can be created by managers, supervisors and CEOs

through interpretations of policy, or by lack of policy. Healthy characteristics of an organization

include the adaptabilities to change, to anticipate and plan for collaboratively working out

problems, to create an environment that enables autonomy and participation at all levels of the

organization and ability for opportunities for members of the organization to grow in their jobs

(Bruhn, 2009).

Individuals call upon internalized ethical frameworks to weigh alternatives and determine

the correct course of action. One individual might focus on a decision rule of maximizing social

outcomes, while another might concentrate on following certain moral principles. Moral

judgment involves applying a moral framework that will allow one to select the most ethical

alternative among the choices (Aupperle, 2008). In order to do what is morally right, one has to

assign priority to moral values such as fairness, honesty, honor, and self-integrity above other

personal values, such as ambition, advancement, power and self-actualization. Values provide

the foundation for an individual's behavior.

Lindblom (2007) explored the moral dilemmas of whistleblowing and the conflict

between the right of free speech and the duty of loyalty to the organization where one works.

You are engaged in whistleblowing if you gain information about wrongdoing or illegality in

your work and you proceed to make that information public (Lindblom, 2007). A classic case of

whistleblowing such as the Ford Pinto involves bodily harm. More recent cases such as Enron

involve financial harm and illegality. What these and other recent whistleblowing cases have in

common is that they have resulted in public debate on policy and in some cases changed public

policy. In cases of whistleblowing the party in need of moral guidance is not the employee but

rather, the employer.

An extremely high or low stress level will interfere with the decision process, low stress

results in insufficient concern and high stress can lead to avoidance or malfunction of the

decision-making process (McDevitt, Giapponi, & Tromley, 2007). Stevens (2008) examined how

employees need to perceive ethical rules as key components of the organization's fabric, and

understand the organization's strategic functions. An employee must fully understand the big

picture when they are faced with a personal ethical challenge to blow the whistle, or to

understand mandates made by management.

Annotated Bibliography

Aupperle, K. (2008). Moral decision making: Searching for the highest expected moral value.

International Journal of Organization Theory and Behavior, 11(1), 1-11.

The author, a researcher and professor at the University of Akron, explored a framework

for moral decision making by examining moral philosophy, moral context, moral intent, and

moral consistency. The framework reveals an analytical process that identifies the highest

expected moral value (HEMV) by assessing the value of various solutions to a moral dilemma.

Once an individual chooses a course of action and assesses the moral upside and downside of

each alternative, the individual will then determine their moral value from their choice. The

intent of the moral decision making framework is to provide a reasonable, rational method to

examine the identifiable options to assess positive and negative consequences by identifying the

intersecting moral principles, consistencies and intent.

Bruhn, J. G. (2009). The functionality of gray area ethics in organizations. *Journal of Business*

   Ethics, *89*(2), 205-214.

   In this article, the author examined gray areas in organizations, where the border between

right and wrong is blurred. Gray areas can provide space for coping with ethical dilemmas in

organizations. The author developed a typology, which includes components of the

organization's ethical culture, and the individual's ethical choices, to explain the benefits and

liabilities of gray areas in organizations. The typology suggests that members of organizations

are keen observers of discrepancies that occur. Gray areas can be created by managers,

supervisors and CEOs through interpretations of policy, or by lack of policy. Gray areas have

two main components, the organization's ethical culture, and the individual's ethical choices,

which shape perceptions. The author proposed that gray areas can be anticipated, planned for,

and policies and procedures can be developed to deal with many problems and issues. Gray areas

have benefits and liabilities in organizations. The author concluded that ethical fallouts often

occur when gray areas have not been taken seriously in organizations.

Desai, M.S. & von der Embse, T. J. (2008). Managing electronic information: An ethics

   perspective. *Information Management & Computer Security, 16*(1), 20-27.

   The authors, researchers at Texas Southern University and Indiana University Kokomo,

examine ethical dilemmas and implications in electronic information (EI) management practices

and activities. Using a Likert-type scale, the authors surveyed managers in 6 industries, who

were asked to describe organization practices in 11 areas of ethical EI policy applications. The

authors suggest a framework for handling ethical dilemmas in managing major EI activities

through their study, which include the activity, description and ethical considerations. The

authors concluded that the study and assessment of ethics in EI supports the belief that ethical

practices in this area impact the entire organization, and management operates within the larger

organization context and the ethical quality of its actions reflects that of the organization culture.

Lindblom, L. (2007). Dissolving the moral dilemma of whistleblowing. *Journal of Business*

Ethics, 76(4), 413-426.

The author, a researcher at the Royal Institute of Technology in Stockholm, explored the

moral dilemma of whistleblowing concerning the conflict between political free speech and duty

of loyalty to an organization. The author determined that according to a Rawlsian view of

justice, there is no such thing as the moral dilemma of whistleblowing, and whistleblowing is

permissible is certain situations. This article suggests that in cases of whistleblowing the party in

need of moral guidance is not the employee, but the employer, or organization. The author

argued that individuals should not design, or conceptualize ideas or situations to conflict with our

basic liberties. The author concluded that justice is the first virtue of institutions and procedural

justice is a desirable ideal, therefore anyone who adheres to this notion of justice should agree

that there is no moral dilemma of whistleblowing.

McDevitt, R., Giapponi, C. & Tromley, C. (2007). A model of ethical decision making: The

integration of process and content. *Journal of Business Ethics, 73*(2), 219-229.

The authors, researchers and professors at Fairfield University, developed a model of

ethical decision making drawn from Janis and Mann (1977), who describe the decision making

process. Janis and Mann address general conflict issues, not specifically ethical conflicts, their

model can be adapted to and integrated with the variables identified in the ethics literature to

develop an integrated model of ethical decision making. The authors examined content variables

considered by individuals facing ethical dilemmas. By using their integrated model the

researchers discovered it helps managers in times of ethical conflict, but it may not take into

consideration the wild card factor, or how an individual's personal life will influence an

individual's business behavior. The model does not take into account the impact of time on the

decision process. Time constraints will limit the degree and extent of the search and personal

reflection on the variables. The impact of time on the decision process, however, can be tested in

future studies. Other limitations of the model include the impact of serious illness and medical

expenses, and the impact of time constraints on the decision making process, which consists of

three main categories: antecedent conditions, mediating processes, and decision outcomes.

Nguyen, N., & Biderman, M. (2008). Studying ethical judgments and behavioral intentions using

structural equations: Evidence from the multidimensional ethics scale. *Journal of*

Business Ethics, 83(4), 627-640.

The authors, researchers and professors and Towson University and The University of

Tennessee at Chattanooga, use Reidenbach and Robin's (1990) Multidimensional Ethics Scale

(MES) to investigate the link between ethical judgment and ethical behavior intention. The study

sampled 300 undergraduate students who were shown a model of three variables representing

ethical issues of moral equity, relativism and contractualism to test the authors' hypothesis that

three ethical dimensions of the MES will be related to the ethical behavioral intentions. The

authors point out that the study was one of the first to validate MES structure equation models.

Their results showed only behavior intention in sales was significantly related to moral equity

judgment, and relativism and contractualism had no discernible relationships to behavioral

intentions. Their study illustrated that managers should take advantage of the finding that ethical

judgment is situation dependent and managers need to be aware of their employee's range of ethical judgment.

Stevens, B. (2008). Corporate ethical codes: Effective instruments for influencing behavior.

Journal of Business Ethics, 78(4), 601-609. doi:10.1007/s10551-007-9370-z

The author, a researcher and professor at Elon Unversity, examines corporate ethical codes which can be effective instruments for shaping ethical behavior among employees. The author develops a five-step plan to help managers use ethical codes in strategic implementations. As a result of the Sarbanes-Oxley Act of 2002, which set reforms aimed at cleaning up corporate corruption and improved accountability, ethical performance will improve, if ethical codes are followed. Codes do not work when they are written by management and passed to employees as a mandate. Employees must perceive of having ownership of the ethical codes, in order for an organization to function.

Ethical Scandals and the American Red Cross

Almost every day, it seems, newspaper headlines shout out the details of another corporate scandal. The nonprofit sector is just as affected by ethical dilemmas as corporate America. Even if they are "do-gooders" who are think they are above the desire to make money, somehow ethical issues arise. Non-profits are run by people with the same range of ethical standards as the rest of society. In recent years, the American Red Cross, nationally and individual chapters in several communities have found themselves the target of negative headlines. Ethical issues undermine the trust the public holds in the entire sector.

All nonprofit organizations need to pay attention to ethical issues. A nonprofit with a clear code of ethics can concentrate on its mission and complete the good works it is set up to do. It is one thing to implement a carefully planned set of ethics initiatives aimed at improving

ethical climate. It is another for employees to receive the practical experience they need to be able to apply to their daily work-life. In the end it's a question of leadership. Leaders set the stage for all things ethics related in an organization.

Each year, the American Red Cross (2009) responds immediately to more than 70,000 disasters, including house or apartment fires (the majority of disaster responses), hurricanes, floods, earthquakes, tornadoes, hazardous materials spills, transportation accidents, explosions, and other natural and man-made disasters. According to the American Red Cross' Ethics Codes (2009), the Red Cross does not become involved in any controversies of a religious, political, racial, or ideological nature and in particular, the Red Cross does not take sides or engage in any political campaigns. The American Red Cross' ethics standards are generic and not specific enough to handle all the scandals that have arose in recent years.

After Hurricane Katrina temporary workers at Katrina call centers were allegedly stealing from assistance fund. According to MSNBC, as much as $400,000 was stolen from the Red Cross and 49 people were indicted because of what started with an unusual number of Katrina evacuees applying for assistance 2,000 miles away from Louisiana, in Bakersfield, California (Costello, 2005). Subcontracted employees for a staffing agency were taking the calls at the Red Cross call center in Bakersfield. The contractors were hired to speed financial assistance to Katrina victims through Western Union (Costello, 2005). "The contract employees working at the call center would call their buddies or their relatives and say here's a PIN number, get down to the Western Union and collect the money." (Costello, 2005)

At the time of Costello's 2005 article, The Red Cross had distributed $1.4 billion to almost 4 million Katrina evacuees, which equals nearly $1,000 per family. "Philanthropy expert

Elizabeth Boris says while she generally gives the Red Cross high marks, the lesson is clear: 'When you hire subcontractors they need to be vetted and overseen in a way that maybe you don't do for volunteers that have worked with year in and year out,' says Boris." (Costello, 2005) Volunteers are not always screened appropriately, especially in times of crisis. The Red Cross pledged to investigate and prosecute and seek court-ordered restitution from anyone who attempted to defraud the American Red Cross and in turn, the American public (Costello, 2005).

The American Red Cross has had five leaders over the past 10 years, as the charity struggles to regain its focus and public image. The American Red Cross has faced numerous ethical challenges over the years, including governance, past failures in its disaster relief efforts and continuing failures in its blood business.

On August 7, 2007 Johnson & Johnson filed suit against the American Red Cross over its sublicensing of the Red Cross image for the production of first aid kits and similar products, which are alleged to compete with Johnson & Johnson (Saul, 2007). The Red Cross' position was that it has licensed its name to first aid kit makers in an effort to encourage readiness for disasters, and that the revenues from its products are reinvested in humanitarian work. On May 14, 2008, a federal judge ruled against Johnson & Johnson in its suit and in June 2008, the two organizations announced a settlement had been reached in which both parties would continue to use the symbol (Saul, 2008).

Mark Everson took on the job of running the Red Cross on May 29, 2007, and just six months later in November 2007, he resigned to the board of governors after it was reported that Everson was having a personal relationship with an employee of the Red Cross, one of Everson's subordinates who became pregnant (Strom, 2007). Former executives said even though changes were put in place after Hurricane Katrina, including a stronger support system for chapters and

improved logistical management of disaster resources, scandals were still arising.

Diana Aviv, president and chief executive of the Independent Sector, a nonprofit trade association, said "The tragedy of this is that the American Red Cross is probably the best-known nonprofit organization in this country. 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." (Strom, 2007) Historically, the Red Cross' board is a board of denial, but in this case, they faced up to the problem and dealt with it promptly and head-on, which is progress in this ethical dilemma. Nonprofit experts said that the Red Cross needed to move quickly to fill the CEO role, but that its culture is averse to change and coupled with the missteps of over more than a decade would make it a difficult job to fill (Strom, 2007).

Local chapters also have been wrought with localized ethical scandals, particularly one case in San Diego that had to do with the misappropriation of funds, which led to the local President of the Chapter and Board of Trustees being fired (Hunsaker, 2007). The core values of the San Diego chapter are humanitarism, stewardship, helping others, respect and integrity (Hunsaker, 2007). It is hard for the public to embrace these core values based on the ethical challenges that the American Red Cross has faced locally and nationally. There is always a choice to tell the truth, to communicate effectively and to give accurate information. The American Red Cross has not always done so, and they need to evaluate their leadership, since there is a personal, professional, ethical and a legal obligation to be forthcoming with information in order for their organization to grow and be ethical.

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