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## Ethics in the Nonprofit Sector: A Study on the American Red Cross

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# ETHICS IN THE NONPROFIT SECTOR

A Case Study on the American  
Red Cross

Emily C Smith



# Clara Barton

Founder of  
the American  
Red Cross

1881



The American Red Cross prevents and alleviates human suffering in the face of emergencies by mobilizing the power of volunteers and the generosity of donors.



# 5 principles of an Ethical Organization

Service

Charity

Integrity

Openness

Accountability

# Hurricane Sandy





# The Sphere Project

*Humanitarian Charter and Minimum Standards  
in Humanitarian Response*

- ▣ Water and Sanitation
- ▣ Food and nutrition
- ▣ Shelter and Supplies
- ▣ Health Care



# Hurricane Katrina





# Openness Integrity and Accountability



# 3 Markers of an Ethical Organization

1. Stay True to Their Mission
2. Act as if Outcomes Matter
3. Are Candid and Self-Policing

# 4 Step Decision Making Model

1. Moral Awareness: Recognition of an ethical situation
2. Moral Decision Making: determine which course is ethical
3. Moral Intent: Identify which path to take
4. Moral Action: following through on ethical decisions

Developed by James Rest



# “Rotting from the Head Down”

- ▣ Cognitive Bias
  - Leaders with over-confidence, arrogance, and commitment to poor decisions
- ▣ Cognitive Dissonance
  - Suppression or denial of information that casts doubt on a belief or action

# 3 Markers of an Ethical Organization

1. Stay True to Their Mission
2. Act as if Outcomes Matter
3. Are Candid and Self-Policing

# Government Accountability Office

- ▣ Investigated the Red Cross
- ▣ Analyzed:
  - factors affecting the organizations disaster services,
  - its coordination with the government
  - external oversight of the organization



# American Red Cross Sunshine Act

- ▣ Drafted and presented to Congress Sept. 2015
- ▣ Allows the federal government to oversee disaster relief and obtain any information from the organization.
- ▣ An opportunity for openness

# Conclusions

- ▣ Is the American Red Cross an Ethical Organization?
- ▣ “Soft” breach vs. “Hard” breach
- ▣ The need for accountability

THANK YOU

