



**American Red Cross**



## The American Red Cross: Stronger and Financially Stable An Update From Gail McGovern, President and CEO

### Introduction

Two years ago, I took on what has been the most challenging and rewarding experience of my professional career when I became president and CEO of the American Red Cross.

Faced with multiple large disasters that year—both in the U.S. and abroad—I quickly understood what an amazing position we are in at the Red Cross. We are local, national and international—a borderless movement that truly emphasizes humanity above all else.

I spoke with donors, employees and volunteers, and learned that we needed to focus on six areas: achieving financial stability, strengthening fundraising, revitalizing the Red Cross brand, advancing blood safety, improving teamwork and revamping our IT systems.

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A great deal has transpired over the past two years—hurricanes, floods, the Haiti earthquake, budget challenges and the economic downturn—and I wanted to give you an update on what we've faced, what we have accomplished, and what the future looks like.

### Achieving Financial Stability

When I joined the Red Cross in June 2008, one of the biggest challenges we faced was our financial situation.

As of June 30, 2008, the Red Cross had a \$209 million operating deficit and a mandate from our Board of Governors to eliminate it in two years. We were forced to make some painful but necessary cuts in order to immediately

address that situation. The Red Cross made significant layoffs of headquarters staff in 2008, and last year we suspended merit pay increases and the 401(k) match for all employees.

We also had to reinforce a cost-consciousness that reached into every area of our operations—from big areas such as real estate, vendor contracts and telecommunications, all the way down to the little things, like office supplies.

One way the Red Cross has done that is by sharing back-office functions such as finance, payroll and accounting, instead of each of our nearly 700 chapters having separate operations. For example, as of June 30, 2010, 90 percent of our community chapters now have their accounting performed by a regional accounting hub.

Our combined efforts have paid off, as we are now wrapping up fiscal year 2010 with the operating deficit eliminated. This is a huge accomplishment, and it was achieved through the hard work of each and every Red Crosser to ensure that the Red Cross will continue to be there every day to help the millions of people who count on us.

This is an important turning point for the Red Cross—we are coming through one of the toughest economic environments in our country's history, and we have made enormous progress just in the past two years.

Even with this good news, we know that we still have significant challenges ahead. Starting with fiscal year 2011, which began July 1, we have projected the need to come up with even greater efficiencies and more innovative fundraising to keep our books balanced. However, seeing how far we have come in such a short time makes me confident that we are up to the challenge.

### Strengthening Fundraising

While we will always raise funds during times of disaster, we recognized that in order to remain viable in the future, we had to fundraise differently, working as one organization to ensure sustainable operations across the country.

Two years later, we've come a long way in strengthening and coordinating our fundraising. And with 91 cents of every



Hurricane Ike

Talia Frenkel/American Red Cross

dollar spent going directly to provide our humanitarian services, our fundraising initiatives remain efficient.

In 2008, at the height of a hurricane season that had eight named storms hit the U.S., the Red Cross launched a \$100 million campaign to fund disaster relief. This was certainly an audacious goal, given that we were starting from zero. In just nine months, we surpassed our \$100 million goal, raising \$95 million in cash and \$15 million in in-kind

donations, during what were probably the most challenging economic times in the last quarter century.

As another example of our efforts to improve fundraising outside of times of disaster, we launched a Holiday Giving Campaign last November with national television advertising, aggressive media outreach and a new online catalog that enabled people to give gifts to the Red Cross in the names of others.

The “Gifts That Save the Day” Holiday Giving Campaign enabled us to actively seek donations during one of the biggest times of the year for giving. We also learned many valuable lessons about which issues touch Americans the most. We found widespread support for gifts in support of members of the military, for vaccinations for children overseas, and for people affected by disaster. A proven winner for us, we will launch another holiday campaign in 2010 that promises to be even bigger and better.

The devastating earthquake in Haiti in January showed once again the compassion and generosity of the American public. So far, we have raised more than \$460 million for Haiti relief and recovery. In addition, more than \$32 million of this amount was pledged \$10 at a time in a record-shattering mobile giving effort that represents a game-changer in fundraising.



Thanks to the generosity of our donors, the American Red Cross, in collaboration with partnering organizations, has embarked on what will be a multiyear recovery effort in Haiti, focused on water and sanitation projects, disaster preparedness, health programs, financial assistance, micro-

financing and the construction of transitional and permanent shelter.

We will be there for the long haul, and we will be responsible stewards with every dollar donated toward Haiti.

Even with all these successes, we have to be relentless, year-round fundraisers. The Red Cross mission is vast: we supply nearly half of the nation's blood; teach skills that save lives; provide international humanitarian aid; support military members and their families; and feed, shelter and give emotional support to victims of disasters.

Each day brings with it hundreds of disasters in the U.S. alone—most commonly house fires. We also see larger-scale disasters such as wildfires, floods, tornadoes and hurricanes each year. In light of these facts, we know that we must be prepared to respond.

## Revitalizing the Red Cross Brand

One of our challenges has been to become a 21st century brand that builds upon our 129-year-old mission and history. This means demonstrating the relevance of the Red Cross today, and making the brand “cool” by using new media to make everyone, particularly younger people, want to be a part of it.

We've done a great job of showing how a historic institution can be effective with social media and new forms of communication. We've embraced blogging, tweeting, Facebook and other forms of social media not only so we can build relationships and stay current on public opinion, but also to quickly share information such as shelter locations during disasters.

Social media has also broken ground for new fundraising methods. For example, in 2009, Target held a Facebook campaign in which people voted for one of 10 charities to receive a share of \$3 million. As a result, the Red Cross received more than \$790,000.

We are also working hard to ensure the Red Cross has a consistent voice, sound and look across the country, which will increase the public's understanding of

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what we do. Building a stronger brand identity is helping us break through the “noise,” helping our supporters remember us, return to us and recommend us to others.

We're in a great position right now. Currently, the public views the Red Cross as second only to the public library—the gold standard—in terms of community value. And the Red Cross continues to lead other large nonprofits in public trust ratings.

## Advancing Blood Safety

We understand the tremendous responsibility we carry as the nation's largest supplier of blood. The Red Cross collects and processes approximately 43 percent of the nation's blood supply, about 6.5 million units of blood each year. These units of blood are then manufactured into about 9.5 million transfusable blood products for patients across the country.

Someone receives a blood transfusion from a Red Cross donor 21,000 times a day—and many of us have either needed blood or know someone who has needed this lifesaving gift.

Donor and patient safety are our highest priority. Our goal is to provide the safest blood supply possible for those in need.



Daniel Cimaz/American Red Cross

The Red Cross is fully committed to meeting all FDA standards, and we have made significant progress, especially over the past two years, in improving our regulatory compliance by implementing system-wide changes to our operations. These changes have produced results: as of May 2010, there has been a 33 percent improvement in problem resolution from January 2008.

We are proud of our progress, but are continuing to do even more to improve compliance and protect the safety of the blood supply.

## Improving Teamwork

At times in the past, Red Cross national headquarters and our chapters and blood regions around the country did not work together closely enough. However, given our serious financial situation two years ago, it became critical for us to work as a team.

In order for us to work as “one Red Cross,” as we call this effort among ourselves, it was essential to establish open lines of communication across the organization—to change what had primarily been a top-down decision-making structure. With this increased collaboration, everyone has a stake in the results and in our services to the public.

Together, we figured out how to cut costs and work in a lean environment, coordinate our fundraising and provide chapters with better support. By establishing shared systems across chapters, blood regions and all lines of service, we are driving administrative costs out of the system and enabling our workers to devote more resources to our mission.

I believe that by sharing best practices, acting with transparency and having clear accountabilities, we are well on our way to creating a culture at the Red Cross in which all employees feel that they are part of a supportive, high-performing team.

## Revamping IT

For the Red Cross, making sure we have up-to-date computer infrastructure and technology is critical for our operations. Two years ago, much of our computer infrastructure was made up of old, incompatible legacy systems that needed to be modernized. We needed to get some of these systems into the 21st century, determine which programs should be outsourced, cut costs and increase the use of current technologies.

Under the leadership of a new chief information officer, we now have multiple IT initiatives under way, including creating a centralized fundraising database and replacing multiple data management systems with one system in Biomedical Services, which will streamline blood collection.

One of our most significant changes is the implementation of a uniform

learning management system, which will manage and track all Red Cross training courses, students, instructors and certification data system-wide. Due to be finished this year, it will replace current learning data systems and serve as one central platform for both Web-based training and blended learning for internal and external learners. Simply put, it will unify our organization under one system and save money in the process.

We have also launched a new website for blood donors and redesigned our public website, [redcross.org](http://redcross.org). These changes are helping us to stay fresh and work more efficiently in serving the public.



## A Look Ahead

Embracing change is no easy feat for a complex, 129-year-old institution like the American Red Cross. But in order for us to stay relevant and grow, we need to look toward the future and be open to new—and some may say radical—ideas. It could be a new fundraising concept, an untapped partnership, a technological innovation, or something we can't conceive of yet. The point is that we must grow and evolve with our world, because our world never stands still.

More and more frequently, the public turns to the Red Cross when they want to help those who have been affected by disaster, so part of my vision for our future revolves around a new era of volunteerism, where a culture of service extends from retired baby boomers to tomorrow's teens.

I also envision a strong culture of preparedness in our country, where 50 percent of the public is trained in CPR and first aid; 75 percent of K-12 schools have preparedness curriculum and Red Cross clubs; and 30 percent of the U.S. population donates blood.

No matter if you think these goals are boldly ambitious or plainly unrealistic, I have no doubt we're up to it. As I have traveled around the country and the world, meeting Red Crossers and the people who come to the Red Cross for help, I am continuously inspired and increasingly confident that we can meet any challenges that come our way.

I am also very aware that much of our progress is due to the strength of our partnerships—from those we collaborate with and the thousands of volunteers who deliver our services, to those whose financial investment puts our mission into action. Thank you for your support and the vote of confidence it represents. ■