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Fixing government after Katrina

By Yossi Sheffi | September 19, 2005

THE RESPONSE of government to Hurricane Katrina is being dissected to determine why the initial reaction was lackadaisical even though officials knew the disaster was coming. One reason could be the culture of the organizations involved. If this root cause is not addressed systematically then all the special commissions, forecasting tools, special gear, and training available will not fix the problem. And there are plenty of examples in the corporate world to serve as a guide.

Over the last three years, a team of MIT researchers has been studying the resilience of corporations in crisis situations. The team studied many examples of organizations that "made it" when disaster struck, as well as those that faltered. And there are numerous examples of both kinds. Following a fire in a Philips Chip plant in Albuquerque, N.M., in March 2000, Ericsson had to exit the cell phone market while Nokia increased its market share, even though both depended on the chips from the struck plant. After the 1999 Taiwan earthquake that disrupted the island's chip manufacturing and 40 percent of the world's chip supplies, Apple Computers stumbled while Dell kept increasing its market share. And Chiquita was able to recover much faster than Dole from Mitch, the hurricane that devastated Latin America in 1998.

The more resilient organizations were better prepared and had designed their supply chains with greater flexibility in mind. Close examination, however, also showed that such companies have something in their DNA that makes them more resilient, a certain corporate culture that helped them survive and even thrive:

- Empowerment of front-line employees. While it is well-known that production line employees in Toyota factories have the authority and responsibility to stop the line when they see a quality problem, it is less known that any sailor on the deck of a US carrier has the right and responsibility to stop flight operations when they detect a developing problem. Front-line employees are close to the action and can assess what is needed; as a disruption develops there is usually not enough time to go through the usual chain of command.
- Constant communications. Resilient enterprises communicate obsessively and ensure that they can communicate in a disaster. Constant communication allows employees to know the state of the system when disaster strikes and emergency communications allow for the recovery efforts. Thus, Intel keeps an emergency center in each region of the world where it is doing business and each center is equipped with landline telephones, cell phones, SSB communications, satellite phones, Internet connections, and even globe-spanning ham radios. But resilient organizations not only have the gear; they create the environment in which communications are important and bad news travels fast.
- The big picture. Employees in resilient enterprises are passionate about their mission and care deeply about what they do. Don Schneider, chairman of the largest truckload company in the US, Schneider National, explains to his 20,000 associates that they are not really in the trucking business. As transportation enters the cost of every item sold, efficient, low-cost trucking reduces the price and increases availability of products. Thus, Schneider is really in the business of raising the living standards of US consumers. At UPS, employees are keenly aware of how dependent their customers are on timely deliveries and thus "nobody goes home until all the packages are delivered" regardless of disruptions.

The response to Katrina demonstrated how woefully unprepared the government was at all levels. Instead of taking decisive actions, city, state and federal officials argued with one another; communications broke down, and too many civil servants, from New Orleans police officers to Louisiana state officials to FEMA directors, did not have the urgency or the passion required.

What has to be done is strikingly obvious -- instill a radical change in organizational culture. Will this largely avoidable tragedy change the culture of the organizations involved? We can only hope.

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