

# Best Responders

## Post-Katrina Innovation and Improvisation by Wal-Mart and the U.S. Coast Guard

The unprecedented impacts of Hurricane Katrina provide an interesting study in how organizations innovate and improvise in the face of the unexpected. Most of the attention paid to organizational performance during the disaster has focused, understandably, on the systematic failures of FEMA. But were there any successes? Yes, in fact. Two of the stand-out responders were Wal-Mart and the United States Coast Guard—one a private-sector firm, the other a part of the federal government. Wal-Mart's response was crucial in preventing an even worse outcome from the crisis than what was experienced.<sup>1</sup> Wal-Mart was the most notable among several private-sector firms that arrived quickly with the supplies that people needed to survive after being cut off from the most basic necessities. In turn, the U.S. Coast Guard rescued more than 24,000 people in the two weeks following the storm. While these two organizations are very different, they both succeeded in the demanding environment of post-Katrina response because they had created the right internal incentives for middle managers to take initiative and the right structures of communication to allow local information to determine the nature of the response.

### “MAKE DECISIONS ABOVE YOUR LEVEL”

Wal-Mart arrived in the New Orleans area well ahead of FEMA, with supplies the community needed. Between August 29 and September 16, 2005, Wal-Mart shipped almost 2,500 truckloads of merchandise to the affected areas and had drivers and trucks in place to ship relief supplies to community members and organizations wishing to help out.<sup>2</sup> Wal-Mart also provided a large amount of free

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*This paper makes use of material from Mercatus Center Policy Comment #17: “Making Hurricane Response More Effective: Lessons from the Private Sector and the Coast Guard during Katrina,” March 19, 2008. Material used with permission of the Mercatus Center at George Mason University.*

merchandise, including prescriptions, to those in the worst-hit areas of the Gulf, including several truckloads that went to evacuees at the Astrodome and Brown Convention Center in Houston. Most important, Wal-Mart and others were able to get this assistance to the affected areas almost immediately after the storm passed; in comparison, residents waited days, and sometimes weeks, for government agencies to provide relief.<sup>3</sup> Wal-Mart was also able to reopen its damaged stores quickly. At the peak of the storm, 126 stores and two distribution centers were closed: "More than half ended up losing power, some were flooded, and 89... reported damage."<sup>4</sup> Ten days after landfall, only 15 stores remained closed: those

that had suffered flooding or severe structural damage.

A key element of Wal-Mart's response was that the company gives a great deal of discretion to its district and store managers. Store managers have sufficient authority to make decisions based on local information and immediate needs. As the storm approached, CEO Lee Scott provided a guiding edict to his senior staff and told them to pass it down to regional, district, and store managers: "A lot of you are going to have to make decisions above your level. Make the best decision that you

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can with the information that's available to you at the time, and, above all, do the right thing."<sup>5</sup> In several cases, store managers allowed either emergency personnel or local residents to take store supplies as needed and without supervisor approval. An employee in Kenner, Louisiana used a forklift to knock open a warehouse door in order to get water for a local retirement home. In Marrero, Louisiana, employees allowed local police officers to use the store as a headquarters and an area for sleeping, as many had lost their homes.

In Waveland, Mississippi, assistant manager Jessica Lewis decided to run a bulldozer through her store to collect basics that were not water-damaged, which she then piled in the parking lot and gave away to residents. She also broke into the store's locked pharmacy to supply critical drugs to a local hospital. Wal-Mart executives praised both actions.<sup>6</sup> Given the breadth of Wal-Mart's markets, it makes sense to allow local managers significant discretion in their day-to-day operations, and that sense of empowerment is particularly useful when unusual local conditions require agility and improvisation.

The value of this decentralized decision-making authority was also clear in the effective response of the U.S. Coast Guard. According to its own reports, the Coast Guard mobilized a total of almost 5,300 personnel, 62 aircraft (which included a third of its entire air fleet), 30 cutters, and 111 small boats to conduct rescue operations immediately after the storm. By September 11, 2005, it “had rescued more than 24,000 people and assisted with the joint-agency evacuation of an additional 9,400 patients and medical personnel from hospitals in the Gulf coast region.”<sup>7</sup> Coast Guard search-and-rescue operations commenced immediately after the weather became calm enough and involved air crews that were “pre-staged” in several adjoining states.

Local residents and media reports during and after Katrina praised the Coast Guard’s role in the immediate aftermath. The sheriff of St. Bernard Parish, just east of New Orleans, reported that “the Coast Guard was the only federal agency to provide any significant assistance for a full week after the storm.”<sup>8</sup> One key role the Coast Guard played was partnering with local fishermen who had both boats and knowledge of the area. As I describe below, because of the Coast Guard’s decentralized structure, rescuers who were on the spot had the freedom to act on their local information and engage in these sorts of partnerships.

#### COMMON ELEMENTS OF “BEST RESPONSE”

Disaster researchers have argued that the most effective responses to disasters involve a combination of discipline and agility.<sup>9</sup> Responders need the discipline of an organizational structure that keeps them focused on the goal of solving the problems at hand. At the same time, they must also be agile in the face of the unexpected and be able to respond on the spot to the ever-changing conditions that characterize most disasters. These same factors can explain why some organizations are also more innovative and better able to improvise outside of disaster scenarios. Private-sector firms operate in an institutional environment of profit and loss that provides an external discipline that ensures that they stay focused on their specific purpose, and decentralized and local organizations know the communities they serve—making them agile in ways that more centralized ones are not.

In order for organizations to be both agile and disciplined, they require both the right knowledge and the right incentives. Whether organizations can acquire such knowledge and have the appropriate incentives depends on the institutional environment in which they operate and the way the organization is structured.

#### DECENTRALIZATION, SHARED VALUES, AND SCALE

Both Wal-Mart and the U.S. Coast Guard have organizational structures that emphasize a clear common vision, decentralized responsibility, and a set of guiding principles or rules that link action and vision.

Private-sector firms often work hard to create the conditions for employees to exercise discretion within the firm, sometimes called “intrapreneurship.” In complex organizations, those at the top cannot always know everything that is neces-

sary to direct operations top-down. The challenge is to structure the organization in ways that let it use the knowledge of shop-floor employees; that way knowledge need not be communicated in explicit terms to managers but can be shared through the actions employees take.<sup>10</sup>

One way that firms help to ensure that employees use their local knowledge effectively is to create a consistent and powerful corporate culture. For example, Wal-Mart devotes a whole section of its website to issues of corporate culture, including everything from its “Three Basic Beliefs” to Sam Walton’s “Ten Rules for Building Business” to the “Wal-Mart Cheer.”<sup>11</sup> Wal-Mart’s “Saturday Morning Meetings,” held at corporate headquarters in Bentonville, Arkansas, provide a forum for explaining and debating core issues facing the firm and for celebrating employee successes. All of these elements of corporate culture are designed to instill a corporate philosophy into every employee. During employee training and on an ongoing basis, that philosophy provides a common vision and a set of rules to be followed, helping to ensure that when employees far from the center are given discretion they are more likely to use it wisely. This decentralization of responsibility can work when the corporate culture is strong and shared. Even here, however, we cannot ignore the importance of the institutional environment: private firms or public agencies with strong organizational cultures will perform notably better when they have the incentives, independence, and information to put that culture to effective use.

As Wal-Mart’s response to Katrina demonstrates, the associates and managers on the scene were allowed discretion to deal with problems as they saw fit, and many store and district managers improvised as they faced unexpected situations that needed creative and novel responses. These improvisational responses were the result of the long-term organizational learning that develops in the context of market competition. Individual store managers have developed local, and often inarticulate, knowledge of their own stores and their communities that they can put into play in a crisis. By virtue of their being located in those communities and constantly facing market pressures to deliver what the community wants, they can know what to do when faced with a crisis presenting unpredictable challenges.

In a similar way, the Coast Guard instills in its members a powerful organizational culture and gives them great latitude for independent decision making. The core of this culture can be found in its document, *America’s Maritime Guardian*.<sup>12</sup> Published in 2002, it is labeled “Publication 1” to emphasize its role as the foundational document that will “synthesize who we are, what we do, and how we do things.” It lays out the organizational culture by offering the Coast Guard’s mission and history, and devotes a whole chapter to “principles of Coast Guard operations.” Two of those principles were specifically important to their work during Katrina. The first is “the principle of on-scene initiative.” As they describe it,

[T]he concept of allowing the person on scene to take the initiative—guided by a firm understanding of the desired tactical objectives and

national interest at stake—remains central to the Coast Guard’s view of its command relationships.<sup>13</sup>

They further develop this principle by recognizing that this requires trust from above and a “unity of effort.”

This notion of “unity of effort” provides the discipline, while the expectation of on-scene initiative provides the agility that effective response requires. The Coast Guard further recognizes the need to “reconcile these seemingly contradictory requirements” and does so with practices known as “commander’s intent” and “concept of operations.” The former provides Coast Guard members with “the objective and the desired course of action,” while the latter is the “estimated sequence of actions to achieve the objective and contains the essential elements of a plan.” In granting on-scene initiative, the leadership is allowing subordinates to alter the “concept of operations” based on local knowledge, but they are to do so under the “overarching” and generally unchanged commander’s intent. The Coast Guard sees communication, especially “informal discussions” among captains and commanders, as central to preparing individual crews to act independently. This communication enables them to grasp the commanders’ intent with a minimum of formal orders. In other words, they are developing routines for handling certain kinds of situations. The sort of decentralized teamwork that the Coast Guard expects “works through the common understanding of how individual incidents or situations are normally handled.”<sup>14</sup>

The second relevant guiding principle, which appears just after “on-scene initiative,” is “the principle of flexibility.” The Coast Guard motto is *semper paratus*, which means “always prepared.” The principle of flexibility describes the way that both physical and human resources within the organization must be prepared to engage in a variety of operations, sometimes unexpectedly and often involving two or more kinds of operations at once. For example, “a cruise ship on fire and drifting toward the rocks is both a search-and-rescue case and a potential pollution incident.”<sup>15</sup> The variety of situations facing Coast Guard operations, along with an organizational culture focused on preparedness and flexibility or agility, enables them to actually be prepared.

The then-vice admiral of the Coast Guard pointed to that autonomy as a reason it was able to move personnel and equipment into place so much more quick-

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ly than other agencies during the response to Katrina. The importance of decentralizing authority was echoed by a former Coast Guard commandant who told *Time* magazine, “We give extraordinary life-and-death responsibilities to 2nd class petty officers.” Even a Coast Guard reservist with only two years of experience has higher-ranking officers reporting to her if she is piloting a boat.<sup>16</sup>

In addition to its organizational structure and culture, the Coast Guard’s daily involvement with coastal issues means that officers at specific stations interact with local residents much more frequently than would people in other branches of the military or bureaucrats from FEMA. FEMA has fewer individuals regularly stationed in potential disaster areas, and the work they engage in is far less likely to involve contact with members of the general public who might be called upon in a disaster. Local Coast Guard officers knew who had boats and where to find them during Katrina because of their greater contact with the local residents. Put differently, the Coast Guard’s other activities, such as search-and-rescue operations and its work with the marine environment, may strongly complement its ability to respond effectively to natural disasters.

One more advantage that the Coast Guard brought to the rescue operations was flexible human capital. Coast Guard personnel are “cross-trained” to perform a variety of tasks. Training does involve specialization, but each member is expected to be able to meet a minimal standard in a variety of skills that he or she might need. Having such a flexible and agile structure of human capital, but all linked to a coherent sense of mission and functional rules and routines, provides the balance required for successful innovation and improvisation.

## CONCLUSION

For both Wal-Mart and the Coast Guard, the capability to be a “best responder” in the face of exceptional calamity followed directly from success in developing a culture of innovation and improvisation that is essential to everyday success.

Operating in a highly competitive environment on a global scale has forced Wal-Mart to improvise effectively in the face of constant competitive threats and routine environmental “surprises,” such as shifts in seasonal demand that occur earlier or later than normal. This improvisation depends heavily on achieving the balance between operational scale and decentralized organizational structure that permits employees to use local knowledge effectively. These organizational characteristics, developed in the daily work of building a globally competitive company, proved critical to an effective response in the exceptional circumstances presented by Hurricane Katrina.

The Coast Guard’s success depended critically on its everyday practice of providing lower-level personnel both the discretion and the information they need to improvise in response to particular situations. The Coast Guard could grant such discretion because it is an organization, like Wal-Mart, that has instilled in its members a shared vision and common values. A single-minded focus on operational effectiveness at the Coast Guard has resulted in the evolution of an organi-

zational structure that is, like Wal-Mart's, decentralized in time of crisis and responsive to local information.

The stories of Wal-Mart and the U.S. Coast Guard are exceptions that prove the rule: a private-sector firm with exceptional operational scale and strategic scope, and a government agency with exceptional operational agility and responsiveness to local information. For both of these organizations, these exceptional characteristics led to exceptional response.

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1. I document the local media reports in Horwitz, "Making Hurricane Response More Effective: Lessons from the Private Sector and the Coast Guard During Katrina." Mercatus Center Policy Comment #17.
  2. See [www.walmartfacts.com/FactSheets/8302006\\_Katrina\\_Relief.pdf](http://www.walmartfacts.com/FactSheets/8302006_Katrina_Relief.pdf).
  3. More detail on how Wal-Mart and others prepared for the storm can be found in Horwitz, op.cit..
  4. Ann Zimmerman and Valerie Bauerlein, "At Wal-Mart, Emergency Plan Has Big Payoff," *Wall Street Journal*, September 12, 2005, p. B1.
  5. Kennedy School of Government Case Program C16-07-1876.0, "Wal-Mart's Response to Hurricane Katrina: Striving for a Public-Private Partnership," p. 5.
  6. *Ibid.*, pp. 9-10.
  7. U.S. Coast Guard, "Coast Guard Response to Hurricane Katrina," [www.uscg.mil/hq/g-cp/comrel/factfile/Factcards/Hurricane\\_Katrina.htm](http://www.uscg.mil/hq/g-cp/comrel/factfile/Factcards/Hurricane_Katrina.htm).
  8. Amanda Ripley, "How the Coast Guard gets it right," *Time*, October 23, 2005. See also Stephen Barr, "Coast Guard's Response to Katrina a Silver Lining in the Storm," *Washington Post*, September 6, 2005, p. B02.
  9. John Harrald, "Agility and Discipline: Critical Success Factors for Disaster Response," *Annals of the American Academy of Political and Social Sciences*, 604, 2006, pp. 256-272.
  10. See the discussion in Frederic Sautet, *An Entrepreneurial Theory of the Firm*, New York: Routledge, 2000.
  11. See [www.walmartstores.com/GlobalWMStoresWeb/navigate.do?catg=251](http://www.walmartstores.com/GlobalWMStoresWeb/navigate.do?catg=251).
  12. U.S. Coast Guard. *America's Maritime Guardian*: U.S. Coast Guard Publication 1, 2002, [www.uscg.mil/top/about/doc/uscg\\_pub1\\_complete.pdf](http://www.uscg.mil/top/about/doc/uscg_pub1_complete.pdf).
  13. *Ibid.*, p. 52.
  14. *Ibid.*, p. 53.
  15. *Ibid.*, p. 54.
  16. Ripley, op. cit., p. 3.