



Third Quarter, 2017

### *From Out of the Ashes*

*"Nor shall this peace sleep with her; but as when  
The bird of wonder dies, the maiden's phoenix,  
Her ashes new – create another heir  
As great in admiration as herself."*

*William Shakespeare, Henry VIII*

In 1989, my husband and I were living and working in Puerto Rico. We married in June, honeymooned in September at his family's camp in Northern Minnesota, and came home to face the fury of Hurricane Hugo.

The storm devastated the island, wiping out most of its agricultural crops. The eastern coast was essentially destroyed with 90% of the buildings blown down. In the San Juan metropolitan area where we lived, major damage was widespread with many losing homes, roofs and belongings. In the financial district, buildings were damaged by flying debris, windows were blown out and some offices stripped clean of papers and documents. The northern half of the island was without electricity and water for weeks.

Having lived through a major hurricane and, importantly, its after-effects our hearts go out to all who were and are in the paths of this season's tempests. In this Newsletter, we thought we would review how some leading companies have assisted recovery efforts from past natural disasters. Over the years, many high-quality companies have found that they not only operate in communities, but are in fact an integral part of them.

Hurricane Katrina pummeled the Gulf Coast in 2005, causing major damage across three states, killing almost 2,000 people and displacing about one million, some permanently. But to this day, Wal-Mart's successful efforts in providing relief and assistance are not widely known. On the day after landfall, Wal-Mart arrived in New Orleans with needed supplies, long days before the Federal Emergency Management Agency (FEMA) was able to. In fact, it took FEMA a full three days after landfall just to assess the magnitude of Katrina's destruction.

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In addition to quickly arriving with staples such as water, fuel and toilet paper, Wal-Mart also handed out free merchandise, including prescription drugs, clothing, diapers, baby wipes and toothbrushes to those in the worst-hit areas. And in the days after the storm, several truckloads of free items went to New Orleans evacuees staying at the Astrodome and the Brown Convention Center in Houston, Texas. Overall, the company sent 1,500 truckloads of merchandise, food for 100,000 meals and the promise of a job for every one of its displaced workers. It also provided \$20 million in cash donations.

Wal-Mart also was able to re-open stores with impressive speed. At Katrina's peak, a total of 126 stores and two distribution centers had been closed. More than half had lost power, 89 had reported damage, and some were completely flooded out. But within ten days, all but 15 stores were re-opened -- the remaining stores having suffered major flooding or severe structural damage.

Employees were empowered by the company's policies to make "on the spot" decisions without fear of repercussions. As Katrina drew near, then Chief Executive Officer Lee Scott sent this message down through the ranks to store managers: "A lot of you are going to have to make decisions above your level. Make the best decision you can with the information that's available to you at the time, and, above all, do the right thing."

In Waveland, Mississippi an Assistant Manager ran a bulldozer through the ruins of her store to scoop up basic goods that had not been water-damaged and then piled them in the parking lot to give away to residents. She also broke down the store's locked pharmacy to supply critical drugs to the hospital. In Kenner, Louisiana an employee used a forklift to knock open a warehouse door to get water for a local retirement home and in neighboring Marrero, employees allowed local police officers to use the store as a headquarters and a sleeping place because many had lost their homes.

Why was Wal-Mart able to respond so quickly and effectively? Major reasons include the company's corporate culture and management team, its sophisticated supply chain and logistics abilities, and the fact that it had a well-rehearsed process for dealing with threatening storms -- a frequent occurrence along the Gulf Coast.

At headquarters in Bentonville, Arkansas, the company's emergency command center has a team of ten employees tasked with responding to routine incidences in stores across the country, such as customer or employee injuries. When a bigger problem arises, such as a hurricane, the team is joined by senior representatives from each functional area as well as other key employees. If widespread damage is possible, there may be as many as 60 employees on duty at the center.

Management designed the emergency response structure and its protocols to be easily expandable and to support its goal of being agile and flexible. Critical to this goal are the procedures for passing information down the ranks, from senior management to regional, district and store managers, and then back up the ranks to the command center.

This means that senior management is able to form a fairly up-to-date “bird’s eye view” of what is happening and where the company should focus its efforts.

And, as seen above, a great deal of discretion is given to store managers who have the authority to make decisions based on local information and immediate needs. This empowerment to respond effectively and efficiently at the local level helps maintain employee morale in periods of high stress and disaster -- nothing succeeds like success.

Finally, the company also uses information technology for figuring out what needs to be where. For example, in 2004 Hurricane Frances was barreling towards Florida only weeks after Hurricane Charley had struck. Wal-Mart’s then Chief Information Officer decided to use data mining techniques on store data to find out what happened after Charley to see if it could predict what would happen after Frances. Sure enough, Wal-Mart’s IT staff found that stores would indeed need certain products, and not just the usual water and flashlights.

In an interview, the CIO noted that “We didn’t know in the past that strawberry Pop-Tarts increase in sales, like seven times their normal sales rate, ahead of a hurricane. And the pre-hurricane top-selling item was beer.” Somehow the beer is not surprising, but the strawberry Pop-Tarts certainly are!

While Wal-Mart may be the best example of a successful private-sector response to a natural disaster, other “big-box” retailers such as Home Depot and Lowe’s also responded effectively to Hurricane Katrina. Home Depot alone provided more than 800 truckloads of supplies to hard-hit areas and transported 1,000 employees from unaffected areas to the region to volunteer in recovery efforts.

The company first identified hurricane response as a strategic need 25 years ago. From its website: “It was the day Hurricane Andrew devastated South Florida and when we learned that we were not only a retail store, but also a part of the infrastructure of communities to assist citizens, first responders and relief organizations when disasters strike.”

Like Wal-Mart, Home Depot has an emergency command center at its Atlanta, Georgia headquarters. It is equipped with monitors to track storms as well as detailed wall maps of affected areas. In an emergency such as a hurricane, the center is staffed with senior employees from merchandising, logistics, supply chain and human resources.

The company also established four distribution centers that are within easy reach of hurricane-prone coastal areas -- Baytown, Texas; Lakeland, Florida; Cranbury, New Jersey and one near headquarters in Atlanta, Georgia. Each summer, before hurricane season starts, management ensures that the centers are stocked with hurricane-specific goods, such as flashlights, shovels, generators, chainsaws and plywood. Trucks at the centers are then pre-loaded so they can leave as soon as a hurricane alert comes in.

Over the years through numerous storms, the company has found that their stores often become the command centers for first responders and relief agencies. Home Depot also partners with nonprofit organizations such as Team Rubicon, an organization that rallies military veterans to help in disaster recovery efforts.

As an example, tornadoes struck Dallas, Texas in 2015. Home Depot quickly sent in hundreds of volunteers not only to deliver water and supplies, but also to help the destroyed communities recover. Partnering with Team Rubicon, Team Depot volunteers helped clear out debris, recover treasured belongings, and repair damaged structures.

In the forward operations bases established in Home Depot parking lots, volunteers were allowed to grab whatever they needed from the stores to help in the recovery efforts -- thus in a very real way giving back to the communities that supported the company.

Just a few weeks ago, Home Depot activated its disaster-response plan three days before Hurricane Harvey made landfall in Texas. Store managers were told to freeze prices and move needed merchandise, such as plywood, generators and chainsaws, to the front of stores making them within easy and quick reach of customers. Pre-loaded trucks started rolling out of the Baytown distribution center, just 30 miles from downtown Houston.

The day after landfall, 80 employees from Austin -- far from the danger zone -- arrived in Corpus Christi, also hit by Harvey, to volunteer in recovery efforts. A similar team from San Antonio was sent to Victoria, also affected.

While this season's crush of natural disasters is awful for the victims and disconcerting for the rest of us, it is heartening to know that the best companies in the world are on the job. Many have made significant cash contributions, provided in-kind donations or, like FedEx, used their operations to deliver medical aid and supplies. Retailers such as Wal-Mart, Home Depot and others are using their competitive advantages to help people in their communities. Expertise in such areas as logistics, supply chain management and predictive data mining are being used for much, much more than increasing revenues, earnings and dividends.

More than that, these companies have shown that they are not the faceless, heartless corporations as frequently portrayed. They are in fact led by real people with real compassion for real events -- which is undoubtedly why they are among the best companies in the world.

Finally, successful disaster response efforts in the private sector have not gone unnoticed in the public sector. Hurricane Katrina was a wake-up call for FEMA and other government agencies and in the years since, much has changed. Now there is more coordination, better planning and more extensive training. Both response times and recovery efforts have become quicker. Bad stuff happens, but so does good stuff, often in surprising ways.

*Karen Wendell*