



Leadership and Mission in Resilient Organizations: Hancock Bank as a Case Study

Contributed by James Pat Smith, Gulfport CARRI Team

Social science and management literature has consistently pointed to the importance of mission clarity, training, and appropriately devolved decision-making processes as key characteristics of effective or high-reliability organizations in normal times.⁷ Agency failures were well publicized during the aftermath of Hurricane Katrina; however, there were organizations that behaved commendably during that post-storm chaos. Specifically, in Mississippi, an analysis of the Katrina recovery performance of Hancock Bank supports the notion that mission clarity, training, and appropriately devolved decision-making are also vital in effective organizational responses to disasters.

With \$6.5 billion in assets, the Hancock Bank, headquartered in downtown Gulfport, Mississippi, operates 160 branches across southern Mississippi, southern Louisiana, southern Alabama, and in the Florida Panhandle. Katrina's destruction of the bank's 300,000 square foot, 17 story headquarters building in downtown Gulfport presented a gigantic set of problems. Corporate computer operations, the technology hub, check-processing, loan servicing, and all



other critical elements of the banking operation across four states were located in the destroyed building, yet Hancock Bank was the first bank to reopen on the Mississippi Coast after Katrina. Without electricity, computers, or working ATMs, Hancock Bank opened many of its branches in Mississippi's Harrison and Hancock Counties the day after the storm and quickly reopened its branches in the New Orleans area.

For years Hancock, known for its bottom-up strategic planning processes, had tested key aspects of its storm response that simulated a loss of the computer center in downtown Gulfport. Every time a hurricane entered the Gulf, the bank sent teams with duplicate copies of its electronic account files to Chicago and Atlanta, where they were to be uploaded onto rented mainframes, if necessary, to keep the bank running during an emergency. In the spring of 2005, a more intense bank training exercise had enabled the management team to identify and plug holes in the emergency plan. However, interviews also revealed that in the immediate post-Katrina crisis an almost obsessive mission focus drove the key decision-making that got the organization back into business more quickly than any other bank in the region.

CEO George Schloegel and COO John Hairston gave vivid descriptions of the situation they faced late Monday afternoon as the storm subsided. Katrina's 30 foot storm surge had pushed 4 feet of water through the ground floor of the corporate headquarters and ruined the elevator system. A tornado had spun off the main storm, blowing roofing, glass, and furniture from other buildings into the glass and concrete facade of the massive bank building. In the bank

⁷Hal G. Rainey and Paula Steinbauer, "Galloping Elephants: Developing Elements of a Theory of Effective Government Organizations," *Journal of Public Administration Research and Theory: J-Part*, 9 (January 1999): 3-112, 20, and 26.

Responding to the desires of Gulfport, Mississippi, citizens to share their Hurricane Katrina experience with other communities, the CARRI Gulfport Team, including researchers at The University of Southern Mississippi-Gulf Coast, worked with community members to document their stories. The essay presented here, part of CARRI's Gulfport Resilience series, captures a key lesson learned from the Gulfport community's daunting experience with the hurricane.

headquarters alone, 1,300 windowpanes were shattered, opening the interior to a spray of salty wind-driven water all the way up the 17 story tower. On top, the bank's own inch-thick steel roof had been peeled back and blown off, opening the entire 17 floors to massive flooding down the elevator shafts and any hollowed columns of shafts between floors. Interior walls were so water logged all the way to the top of the building that the slightest pressure would send sheet rock crashing down elevator shafts or onto concrete floors. In the 5th floor data center on the north side of the building, wind had blasted out the east wall. The damages totaled \$84 million.

With a 40 mile per hour wind still blowing, COO John Hairston managed to get a cell phone call through to his Chicago team who had flown out with back-up computer data 48 hours earlier. The message to Chicago team leader Jeff Andrews was simple. "Jeff, the building's a total loss," Hairston said. "You've got to move the flag. Bring up the data center in Chicago." On the other end of the line, even though the routine had been tested many times before, Jeff Andrews could not believe what he was hearing. "It can't be—Hancock Plaza cannot be damaged that badly," he implored. Having just climbed 15 flights of stairs and a two story exterior ladder on the Gulfport building, Hairston stated emphatically, "That's what I said, Jeff. Trust me. Move the flag. We won't be in this building for a long time What is important right now is . . . to bring those systems up in Chicago." Sitting in Chicago and still stunned, Andrews protested, "You know, we've never done this before." At this point, Hairston interjected by saying what was to become a theme for this organization. "We've tested it every year, and it's worked every year. I believe in you. I believe in the team. You all will get it done."

With the wind still blowing, Hairston said the words that amounted to huge devolution of



authority to the Chicago team. "You've got 4 days. Bring it up, get it current. I may not be able to talk to you again for a while. You remember, you bring it up . . . stay the course. Your job is to get those systems up. If we cannot get the systems up, we don't have a company. Get them up." With a clear mission, drawing on good training, and with little to no communications from the Gulfport headquarters, Hancock Bank's skeleton-force i-tech team worked that emergency plan and got alternate technology operations up in 3 days.

The bank's scripted emergency plan also called for opening branches with available employees and facilities as rapidly as possible. Hancock wanted to be the last bank closed before a hurricane and the first to reopen. However, the morning after the storm, the stunning extent of the bank's losses raised questions about this goal. Huddled over the hood of a car on that Tuesday morning, key executives confronted the meaning of the lack of electricity, computers, and normal police and fire protection for basic banking. If you reopened, how would you know who your customers were? What about storm victims who presented themselves asking for cash but who had lost everything, including checkbooks, wallets, and identification. How would you check their balances to guard against overdrafts or fraud?

What about people who would need cash but who banked at other institutions? The risk was



clear. Credit cards would not work for gas, food, or any other basic need, and it was August 30, payday. People would need cash.

In that moment of worried consideration, the bank's executives went back to the bank charter and asked basic questions about institutional values and mission. They noted that there was no mention of the word "profit" in the bank's 1899 charter. The old charter gave the bank the mandate to serve people and take care of

communities. They served by keeping money safe and making money available. What about risk? Over the years, the 80 year old chairman, Leo Seal Jr., had drilled into their heads the concept that banking would be an impossible business unless 99 percent of the people were honest. With this core belief in mind, bank officials made the tough decision to stick with the charter and serve the community by providing money—even, or especially, in a crisis where security was not guaranteed. In a gutsy move, bank officers decided to allow people—whether they be Hancock customers or not—to draw up to \$200 cash if they could simply write out their name, address, and social security number on a scrap of paper.

On that Tuesday after the storm, ten branches of the Hancock Bank opened without power in the disaster zone. Three days later, 30 of the company’s 50 offline branches were opened without lights, phones, and in some cases without roofs or buildings. In Pass Christian and Waveland, Mississippi, they opened with card tables under tarps or outside repossessed mobile homes. Banking was reduced to post-it-note IOUs that were tossed into boxes to be processed later. Because of this decision, tens of millions of dollars flowed into the community, much of it literally washed, dried, and ironed after being



salvaged from waterlogged casinos, bank vaults and ATMs.

Hancock’s mission-driven response put more than \$42 million in cash into the community in that week after the storm—cash supplied whether or not the person normally banked with Hancock. The decision made by Hancock’s executives might have led to massive losses. In fact, at least \$3.5 million went out the door to people who could not later be linked to any account or working phone. Three years later, CEO George Schloegel reported that of the millions of dollars given to people for a name and address on a post-it note, all but \$200 thousand had come back to the bank. As people returned to the area and got on their feet, the majority remembered that Hancock Bank IOU and paid it back. Moreover, in the 5 months following the storm, Hancock Bank opened 13,000 new accounts. According to Schloegel, many people said, “You were there when I needed you. You’re going to be my bank.” Overall deposits grew by \$1.5 billion. Ultimately, the clarity of mission and leadership exercised by Hancock Bank during Katrina provides immensely valuable guidance for organizations looking to become more resilient for future and inevitable disasters and chaotic disruptions.

Some of the information contained in this article was provided to the author during interviews with John Hairston and George Schloegel (University of Southern Mississippi, Katrina Oral History Collection, McCain Archives, Hattiesburg, Mississippi) and Sidney Rushing.