

**NORTHERN ILLINOIS UNIVERSITY**  
**EXECUTIVE DECISION MAKING DURING A CRISIS:**  
**BURGER KING REACTS TO HURRICANE ANDREW**

**A Thesis Submitted to the**  
**University Honors Program**  
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**With Upper Division Honors**  
**Department of Management**

**by**

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**DeKalb, Illinois**

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In accepting the award from the Honors Council of the Illinois Region, I agree to the following:

- (1) at the end of the semester during which the project is to be completed, I agree to submit one copy of the completed project to the Executive Secretary of the HCIR; this copy will be signed by (a) me, (b) the faculty supervisor of the work, and (c) my Honors Director, and
- (2) I further agree that should any publication come out of this project, I will acknowledge in it the assistance of the Honors Council of the Illinois Region in bringing the work to its completion.

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Student's signature

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Date

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Department of: Management

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HONORS THESIS ABSTRACT  
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ABSTRACT:

This paper investigates the decision making practices of the Burger King Corporation after the near destruction of its world headquarters in Miami, Florida by Hurricane Andrew in 1992. Seven executives were personally interviewed five months after the hurricane. Each were asked the same set of questions to determine: the pathway of decisions, to test the theories of centralized decision making vs. decentralized decision making, to test the structure of the organization on decision making, and to test the applicability of the five steps of decision making.

Burger King made decisions based on the problem. The organization is decentralized, allowing for timely, flexible, and effective decision making. They did not rely on one person, or "pull in the ranks", but rather disseminated problems throughout the functional departments where they were then held for solution or further disseminated.

Dear Readers:

As the end of my undergraduate experience at Northern Illinois University comes to a close, I leave with sadness, yet a great sense of accomplishment. This research paper, serving as the "Capstone" to my participation in the honors program, has been all that its name implies: Capstone. Researching a subject so intensely, being allowed to formulate ideas, and draw conclusions based on the teachings of my major has been the most enjoyable and rewarding part of my schooling. The project began in August, 1992. After nine months of research, writing, interviews, telephone calls, and re-writing I proudly present my findings to you.

I would like to thank the many people who helped make this project possible: Gus Gelardi, of Burger King, who served as my contact with Burger King; Dr. Jeffery Chown, the Director of the Honors Program, who rescued me during a critical point in the project; and the Illinois Honors Council, who recognized the potential of the project and gave me a grant for funding it. Also, the Burger King Corporation, for allowing me the opportunity to conduct my research on them. Finally, there are the two men who had the faith, patience, and persistence to keep me going: Dr. Luis G. Flores, my faculty advisor; and my loving husband, Larry.

Sincerely,

Sue M. Scaglione  
April 28, 1993

The analysis of strategic decision making has focused on approaches ranging from the political processes involved (Fahey, 1978) to the roles each member plays in decision making (Hart, 1992). Many researchers agree there has been little attention paid to the explicating of the organizational processes involved in strategic decision making (Fahey, 1981). Literature on decision making has taken a normative or highly rational view. That is, they propose decisions are to follow a step-by-step procedure. The steps include: problem identification, generating alternative solutions, analysis of the alternatives, choice, and implementation. "Strategic" decision making follows the same procedural steps while taking into account the organization's mission, goals, objectives, along with a thorough scan of the external and internal environment.

The effectiveness of this procedural rationality is tested when an organization is forced to make strategic decisions during a crisis. Agreeably, there is scant literature on the organizational process of strategic decision making, but combine the variable of a crisis situation, and there is virtually a void.

Crisis management has traditionally required a "pulling in of the ranks", a centralized person or core team that makes the decisions. An organization may revert to what appears to be a simple, bureaucratic structure with the top apex controlling the decision making.

## RESEARCH SCOPE AND METHOD

The focus of this study is to examine the procedural steps taken to formulate a strategic decision during a crisis. A "strategic" decision implies a decision that is rare, having no

precedent; it is consequential; and it is precursive, meaning it is going to set precedent for future action in the organization (Wheelen, 1992). The traditional steps to decision making will be tested along with the theory of an imposed centralization. There will be no judgement made as to the applicability of decisions, nor any comparisons of corporations, or personnel.

The subject of the study is the Burger King Corporation located in Miami, Florida. The crisis they faced was Hurricane Andrew. In November of 1992, 19 executives of the corporation were contacted by mail requesting interviews. By mid-December, ten had agreed to grant interviews. In January, 1993, one hour interviews were conducted with seven of the ten over a two day period (See Appendix A).

Questions were asked to ascertain the problems each executive faced, as well as, the solution they derived, and how they implemented the chosen solution. Each executive was given the same set of questions (see Appendix B), however, not every question was applicable to every person and situation.

### Background

The world headquarters of Burger King Corporation is located on the bay in south Miami, Florida. It is a subsidiary of Grand Metropolitan, which is headquartered in London. Burger King employs approximately 40,000 people worldwide, with 700 of them employed specifically at the world headquarters in Miami.

In the early morning of Monday, August 24, 1992, Hurricane Andrew came ashore on Florida's east coast. The eye of the storm came on shore one-half mile south of the Burger King headquarters. Windows were blown out on the bay side of the six-story building. The

storm surge pushed a wall of sea water 17 feet high (the highest recorded height) directly at the building site (Sun-Sentinel, 1992). The storm knocked out electricity, telephones, homes, and vegetation throughout the southern and western Miami area and suburbs. Three hundred Burger King employees were left homeless, all seven hundred were left without a corporate office.

The concrete shell of the pink and gray Burger King headquarters withstood the hurricane; however, the contents did not. All contents were rain soaked or had been sitting in salty sea water. The Data Center housing the computer system is located in a secure building about eight miles from headquarters. It withstood the storm admirably; the computers were inoperable, but not destroyed. The core communication system, an 800-number voice-mail system, was out of service. This system keeps the employees throughout the world connected with one another and corporate. By daylight Monday morning, few people realized the extent of the damage to the corporate office, much less the Miami area.

Much of the first week was spent stabilizing employees and families. Communication was shifted to portable telephones, mobile phones, and the least damaged homes served as command centers. Those of the Executive Committee who were able to went to the corporate office. During those seven days some of the major decisions made were:

- sign on BMS, a disaster recovery service
- contract with the Doral Country Club for facility use
- transfer banking to New York facilities



The Executive Committee and CEO Barry Gibbons, via the telephone for the first few days, made the crucial decisions of:

- business as usual
- everyone will be paid
- everyone has a job
- Burger King will stay in Miami

The thrust of the "people" decisions were to squelch rumors. From that point, Barry Gibbons was not the major decision maker. He relied on the Executive Committee to keep him informed. Questions and incidents were sent from the bottom up, where Gibbons relayed the responsibility to someone else. Interestingly, this "someone else" may or may not be an expert in the field of their assignment.

## FINDINGS

Examining the movement of decisions concerning Rachele Hood Phillips, the following "loop model" can be formed (See Figure 1).

According to Drabek (1981), this common pathway leads to a flexibility within decision making in order that decisions can be made more quickly, thus effectively. It is possible that this loop may be repeated before a decision is finalized.

This loop leads to the question of structure as an inhibitor or facilitator to decision making. Burger King has a divisional structure. Under non-crisis circumstances,

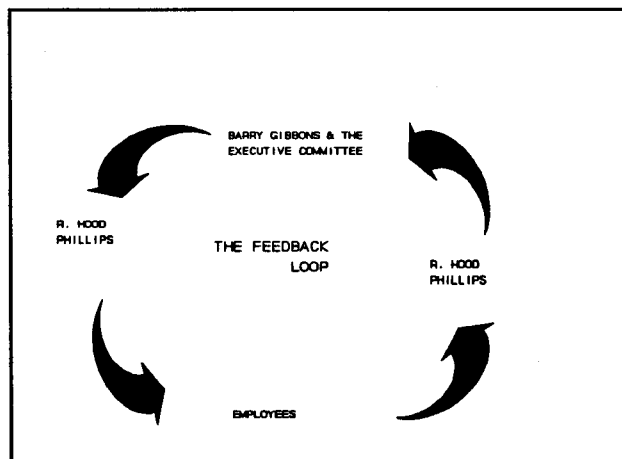


Figure 1

Under non-crisis circumstances,

decision making in a divisional structure is the most flexible and effective. During this crisis the structure facilitated decision making because it provides continuity . Specialization within departments allows each area to contribute with maximum efficiency. Ms. Hood Phillips said that although each area was functioning within its specialty, circumstances required employees to use untapped skills. For example, as a supervisor, how many times are you faced with half of your staff becoming homeless?

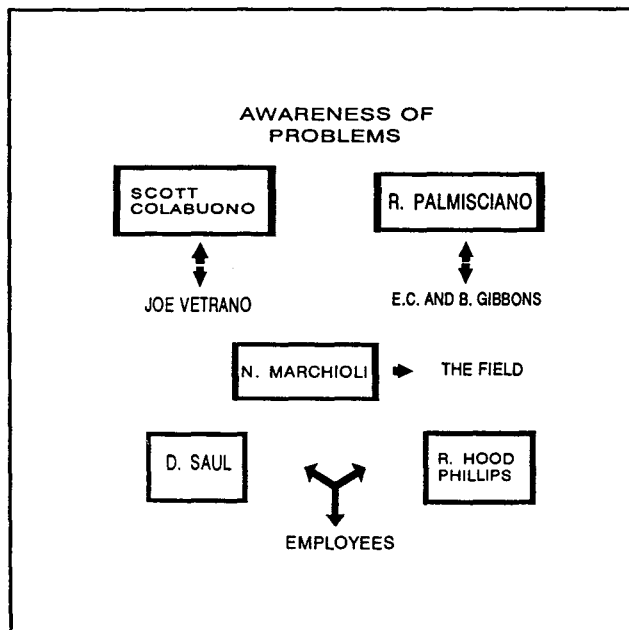


Figure 2

The illustration, left, indicates how the interviewed executives were being made aware of problems. There is a consistency between Dawn Saul and Rachelle Hood Phillips, in that:

- both received information from employees
- both operate in a human resource capacity.

Scott Colabuono and Richard Palmisciano did not receive this same flow of information from others. Mr. Palmisciano interfaced with the Executive Committee and Mr. Gibbons, while Mr. Colabuono worked closely with Joe Vetrano. Nelson Marchioli had to take his problem and disperse it throughout the field personnel. The nature of the individual problems determined who would be interfacing with whom.

## AN IN-DEPTH LOOK AT TWO DECISION MAKERS

Nelson Marchioli, Vice President of System Quality Assurance, represents one end the spectrum of decision making. The Quality Assurance (QA) department at headquarters acts as a support constituent to the field personnel protecting the Burger King trademark around the world in the quality area. The department collects, stores, evaluates, and distributes data received from the field via the LAN system located in the Data Center. The inability of this system to operate presented Mr. Marchioli with his main problem: the transmittal and storage of data from field personnel and restaurants.

Mr. Marchioli relayed this problem to Paul Spencer, Manager, Quality Assurance MIS. Also, field personnel such as Larry Scaglione and Rob Andrews, Regional Quality Assurance Managers, took matters into their own hands to keep "business as usual" functioning in the field. They kept communications open using regular telephone line and kept people informed as to the progress being made at headquarters.

Richard Berdugo, also in Quality Assurance, used his home in Miami to act as the central command post to locate that department's personnel. He had to literally drive to one secretary's home, which had been destroyed, in order to ascertain her whereabouts and safety.

Since there was no financial consideration, only a time factor, Mr. Marchioli and Paul Spencer had no option except to work with and wait on the computer system experts to bring the system back on-line. The "options" occurred on how to proceed until that time. It was decided through field consensus that storing information on diskettes would be the best (and really only) option available. The diskette usage would allow input of the information at a later date.

The department was veering from the norm in that the supportive functions it usually handles were temporarily set aside. Those included: legal support, microbiological testing, and complaint handling. Meetings were held at the Doral Country Club and implementation proceeded on an informal basis. The field people were the main implementors and it was through them (and the franchisees) that evaluation occurred.

Mr. Marchioli's decisions indicate a very decentralize perspective. The nature of the department required that field personnel operate at an even greater amount of autonomy than they normally do.

A somewhat more traditional view of decision making was used by Richard Palmisciano, Vice President Construction Services. The procedure through the five steps is seen in greater detail with his problem. The department repairs, maintains, and builds company owned restaurants. Hurricane Andrew damaged 33 restaurants, the headquarters, and 300 employees lost their homes.

There was no deliberation that the department would render first-aid and do temporary repairs to the homes of essential employees, because the main concern was that of the employees. The problem facing Mr. Palmisciano was the repair of the corporate office. Physical inspection of the headquarters led to the generation of two options on how to proceed.

One, the company could vacate the entire premises, turn the restoration over to a general contractor, and he would confer with the insurance adjuster. This would take considerable time. Or, the construction department could bring in its field crews, work with the insurance company, and do the restoration themselves.

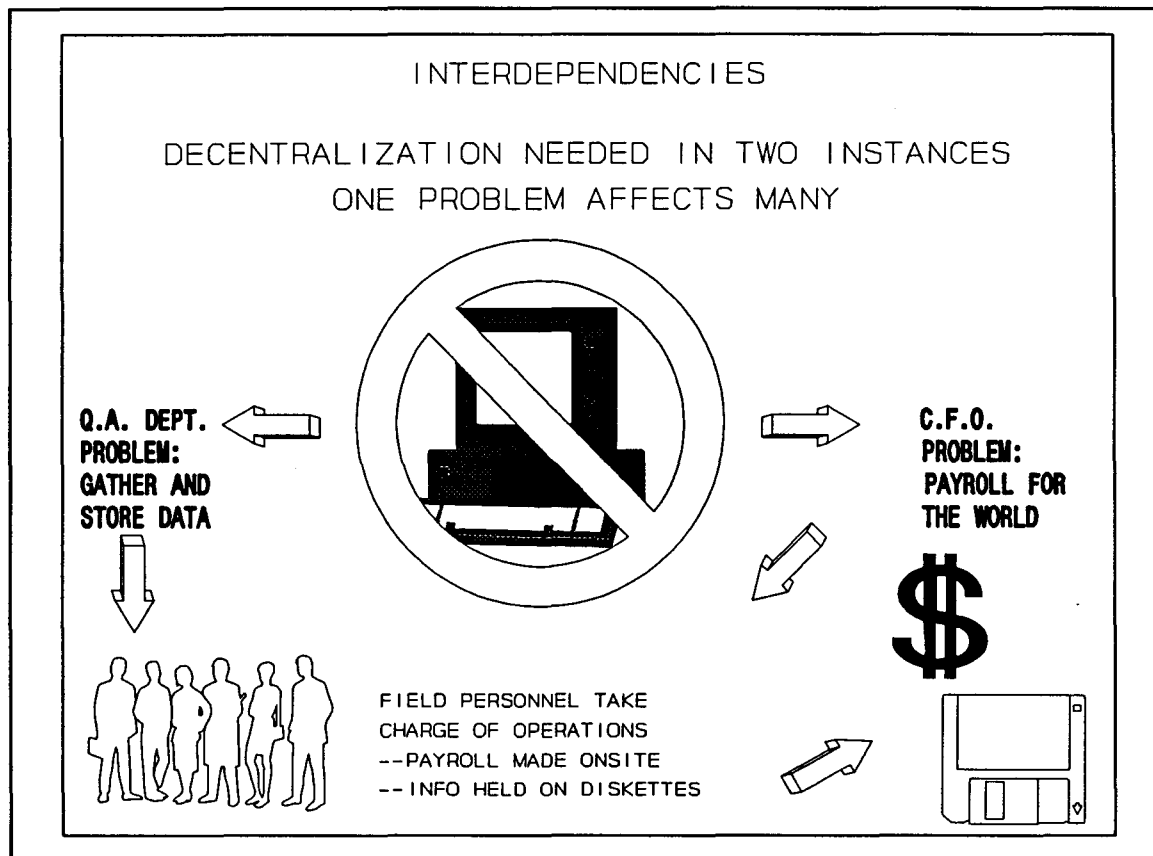
A group consensus of key executives chose the option to have the construction department make the repairs. Even though Mr. Palmisciano says the "decision took its own course", there were sound and reasonable explanations for the choice made. The decision showed Burger King employees that it was involved and concerned in getting headquarters up and running again as soon as possible. A general contractor would have taken much longer to complete the work. The decision allowed for a closer working relationship with the insurance company. An insurance adjuster would be more lenient with the allocation of funds when working through company officials than he would be with a general contractor. The leniency allowed Burger King to make changes during the restoration.

Mr. Palmisciano said some decisions about the restoration were temporarily delayed because of building codes set by the county. Also, there were no "quick fixes"; any temporary (ie. addition, structure, etc.) was a "planned" temporary. There was no shortage of supplies or personnel; however, personnel were pulled from the field. Consultants, and professional engineers are being consulted as part of the implementation process.

This decision making procedure was more centralized and somewhat easier to follow than Mr. Marchioli's. That is, it held true to the five step decision making process.

#### Cumulative Information Gathered

There were similarities and differences noted in the answers provided by the seven interviewees. All seven of the interviewees looked to external resources for cooperation and/or consultation. Interdependencies were created across departmental lines as in, for example, the inability to utilize the computer LAN system. As Figure 3 shows, without the computer, payroll cannot be met, or quality assurance data processed. Both Vice Presidents Marchioli and Colabuono relied on field personnel to improvise and take charge of operations.



**Figure 3**

Restaurant payroll was done by cash, on site, and quality auditors in the field stored their data on diskettes.

TABLE 1      AUTONOMY IN DECISION MAKING	
DM DONE BY SELF	DM MADE BY GROUP
R. HOOD PHILLIPS	D. HERBSTMAN
DAWN SAUL	R. PALMISCIANO
JOE VETRANO	S. COLABUONO
N. MARCHIOLI	

Table 1, above, illustrates the autonomy each person felt they had in decision making. The answers represent a fifty-fifty split.

Table 2 shows those who felt they had alternatives in their decision making and those who perceived they did not have alternatives. An interesting note, while Dawn Saul and Rachelle Hood Phillips are both being made aware of problems from the same source (recall Figure 2), Ms. Hood Phillips felt she had alternatives, while Ms. Saul did not.

TABLE 2 ALTERNATIVES	
YES	NO
S. COLABUONO	N. MARCHIOLI
JOE VETRANO	DAWN SAUL
R. PALMISCIANO	D. HERBSTMAN
R. HOOD PHILLIPS	

TABLE 3 FINANCIAL CONSIDERATION TAKEN	
YES	NO
D. HERBSTMAN	S. COLABUONO
R. PALMISCIANO	JOE VETRANO
	DAWN SAUL
	R. HOOD PHILLIPS
	N. MARCHIOLI

Table 3 points out those who felt there were any constraints of money when it came time to implement their decisions. The last difference noted among the seven was that five of the seven passed their problems to someone else. Only two people, Dawn Saul and Richard Palmisciano, kept their problems.

The time factor was the greatest consideration and sometimes the problem itself for all seven interviewees. That is the nature of decision making during a crisis: time is the key. Most of the decisions also fell in the category of a "strategic" decision, in that it would set precedent and affect the company for a long time.

## IMPLICATIONS

Decision making for Burger King executives following the aftermath of Hurricane Andrew did not follow the course set forth by theory. Overall, the corporation chose to function in a decentralized manner with only a few areas requiring a centralized decision maker.

## CONCLUSIONS

The following conclusions can be ascertained from the research gathered:

- Each functional department, according to its specialty, was called upon to assess the situation and either choose a pathway to decision making in a centralized or decentralized manner.
- Every decision made does follow the main five step plan; however, that does not mean every problem will have an alternative solution, or that every decision making step must be carefully thought out as "a step".



- Burger King does not hire impotent decision makers. Decision makers, whether at corporate or in the field, must be trained from the beginning of their careers to be flexible, innovative, and decisive.
- Decision makers must be able to rely on their instincts. They must be able to recognize their capacities and when to rely on external expertise.

Decision making in a corporation requires a thorough assessment, creative alternatives, and flexibility in order to be effective. Crisis decision making raises the stakes to an even higher plane: survival. Burger King executives grasped the meaning of that implication and chose to overcome the devastation Hurricane Andrew brought through effective, innovative, and timely decision making.

## APPENDIX A

### INTERVIEWEES

Scott Colabuono  
Senior Vice President, Chief Financial Officer

Don Herbstman  
Vice President, Safety Risk Management

Rachelle Hood Phillips  
Vice President, Minority Affairs and Training

Nelson Marchioli  
Vice President, System Quality Assurance

Richard Palmisciano  
Vice President, Construction Services

Dawn Saul  
Assistant to Vice President Human Resources

Joe Vetrano  
Director of Management Information Services

## APPENDIX B

### PROBLEM IDENTIFICATION

1. Why was Hurricane Andrew a problem?
2. What were your priorities in solving the problem?
3. Who were your constituencies? (community, employees)
4. Who were your constituencies in your area?
5. Where did the problem come from?
6. Where did you send the problem?

### GENERATING ALTERNATIVE SOLUTIONS

1. What were your alternatives?
2. What did you do?
3. Why did you choose to do what you did?
4. What did the choice mean to those it impacted?
5. How was information gathered?

### EVALUATING THE ALTERNATIVES

1. Who participated in questioning the options?
2. Who participated in the final decision?
3. Was there a financial consideration? social?
4. Was there a time element?
5. Was the procedure a deviation from the norm?

### MAKING THE CHOICE

1. Was the decision yours, group consensus, or someone else's?
2. Were some decisions delayed, or sent back for reassessment?
3. Was the best decision made for the moment with thoughts of doing it better at a later date?
4. How much input did the functional areas have?

### IMPLEMENTING THE CHOICE

1. Was the implementation able to be carried out? (supplies, personnel)
2. Who participated in the implementation?
3. Was there an evaluation process used?

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