Governing Energy

Lost Luggage—A Systemic Risk Management Case Study

Volume 4 Number 21—November 2, 2015

Recently this writer flew from Houston, Texas USA to a major city in Europe that did not have a direct flight. This necessitated not only a plane change but an airline change to one of the US career's partners. Both of these airlines are major organizations with a global presence.

The weather the day of the flight from Houston was one of flooding type tropical rains that part of the world can have. The departing flight was approximately two hours late with the airline citing "operational disruptions." One of these disruptions was the late arrival of crew from inbound flights.

Since I was going to be in Europe for some time, I checked my main bag with my business suits and other clothing and items I would need at my meeting. Arriving on the east coast of the United States and missing my connecting flight (which actually left early), I was booked on a flight to another European city (not my final destination) where I was to transfer and reach my final destination only a couple hours late. Not bad considering the problems that day.

For the new flight over the "pond" I was assured that my bag would be changed to that flight. Arriving and checking for the third leg, again I was assured it was on the plane as well.

Upon arrival at my final destination, the luggage was not on the conveyor belt. At "Lost Baggage" they had no record of it at all! Using my itinerary documents this was reconstructed for their computer system.

So how does this relate to systemic risk management? All of us have had luggage either delayed or completely lost—goes with the traveling territory.

While watching the chaos in Houston and getting periodic texts updates from the carrier, it appeared to me that this operation or highly complex integrated parts had *no slack* in the system. One assumes the cost of these "operational disruptions" was in the millions of dollars

One the initial leg to Europe my overhead reading light did not work. The flight attendant told me that that maintenance had been deferred because of the delays. Later during the dinner service she again stated that service would be slow today because they were understaffed—again the disruptions were blamed as the culprit.

We commented earlier that the Normal Incident Failure (NIF) theory as discussed by Charles Perrow predicts eventual failure by highly complex tightly coupled systems such as today's global airline sector. Moreover, High Reliability Management (HRM) processes do not accept their inevitability.[i]

In this personal case study, a few comments come to mind:

- Bad weather is inevitable and part of the travel experience and no one wants to not be safe in this environment
- If change plan process is within a single carrier system, lost baggage is not as major an issue as perhaps in the past—assuring passengers and their check luggage are on the same aircraft is a security process
- When the second (or third or more) carriers are introduced into the process, risk can increase and system transparency decreases
- Operational disruptions are expensive, can lead to issues with customer satisfaction and deferred maintenance among other considerations.
- Despite decades and billions invested by this sector in Information Technology, it appears that systems and data are still not integrated. Some of the recent merger and acquisition processes may be partially to blame

In the final analysis, no one in the system knew where the bag was or if it had even left Houston. However, chances are it made it to the first leg but when plane and destination changed assurances that the bag with the paper barcode destination of another city and flight number was not "tightly" connected to the passenger system change.

As of this writing I still don't have them and will go to a meeting not as well dressed for success as I had planned. Arriving 24 hours beforehand was apparently too tightly coupled to assure my business processes had appropriate risk mitigation. However, the carry-on bag mitigated this risk somewhat.

This is a small micro-case that most of us can relate to. It does provide some interesting lessons learned for the larger processes where "operations disruption" causing deferred maintenance and customer dissatisfaction may more dramatically cause greater Enterprise Risk exposure or degradation.

Moreover, the ongoing energy sector consolidation may lead to Information Technology issues that can impact on operational performance. In an era of increasing concerns about cyber security in the digital oilfield this may be a major Achilles tendon.

How does your organization address the systemic risk of Operational Disruptions?

About the Author

Dr. Scott M. Shemwell has over 30 years technical and executive management experience primarily in the energy sector. He is the author of five books and has written extensively about the field of operations management. Shemwell is the Managing Director of The Rapid Response Institute, a firm that focuses on providing its customers with solutions enabling operations excellence and regulatory compliance management. He has studied cultural interactions for more than 30 years--his dissertation; *Cross Cultural Negotiations Between Japanese and American Businessmen: A Systems Analysis*

(Exploratory Study) is an early peer reviewed manuscript addressing the systemic structure of social relationships.

End Notes

[i] Shemwell, Scott. M. (2014, January 1). Into the Breach. Governing Energy. PennEnergy.