

Opinion **Grenfell Tower disaster**

## We need to stop asking how Grenfell happened and start asking why

Thirty years of outsourcing and subcontracting have left us with an atomised system where no one takes responsibility

MARGARET HEFFERNAN



The Grenfell inquiry this week published its final report on the tragedy. Such catastrophic events grow out of core beliefs about business that frequently fail in the real world © FT montage/Getty Images

**Margaret Heffernan** 2 HOURS AGO

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The inquiry into the Grenfell Tower fire detailed deeply entrenched wilful blindness, in which people who should have known better made catastrophic decisions resulting in tragic consequences. This week's second and final report revealed the incompetence, error, greed and mismanagement that lay behind those decisions. Construction companies, standards bodies, the local authority, fire services and central government are all implicated in the avoidable deaths of 72 people.

I've dissected such systemic institutional failures for over 10 years now and seen the patterns repeated worldwide: Enron, BP, Wells Fargo, various NHS scandals, General Motors, Volkswagen, Facebook, Boeing, Hillsborough, Fukushima, Carillion, Theranos, the opioid scandal, the Post Office and many more. But Grenfell shows that underneath all these causes twists a skein of ideological failure. These tragedies grow out of core beliefs and mental models about business and management that frequently fail in the real world.

One of the most striking revelations is the sheer number of organisations involved in the maintenance and refurbishment of the tower. It's hard to keep track. Why so many? In the last 30 years, outsourcing has been all the rage, the argument being that it allows access to specialised expertise of a kind too expensive to maintain in-house. This has three underestimated consequences.

Subcontracting atomises responsibility. Who ultimately is accountable: the company that does the work or the one that contracted it? Outsourcing is a recipe for buck-passing. The [Valukas report into failures at GM](#) cited the "GM salute"; asked who's responsible, executives would cross their arms, pointing to their left and right.

Second, outsourcing leaves the contracting organisation ignorant about materials, techniques and technologies it no longer feels responsible for. I can't forget talking to a senior Ford executive who admitted, after decades of outsourcing the manufacture of many parts, that no one in head office knew enough about them to adjudicate between businesses bidding for the work.

Even worse, outsource too much and each piece of the work becomes so estranged from its central purpose as to become meaningless. This is what I call the demoralisation of work, when daily tasks are so far removed from a final outcome that they make jobs only about money — not about housing or safety or human lives.

These contracts are decided largely on price: bidders compete to cut costs, to win and to keep business. The inquiry found many instances of concealment, false claims, manipulation of tests and outright lies designed to keep clients happy. Standards bodies were privatised in the belief that making them compete would make them more efficient. Instead, the inquiry found that they had lost their integrity.

Defenders of competition insist that it forces the best to the top, but it's past time that we also acknowledge it routinely does the opposite, encouraging dishonesty, misinformation, cheating and fraud in education, sport, politics and commerce.

Efficiency dominates management thinking. A magical belief that everything can be done better, faster, cheaper has forced a focus on cost-cutting. Time is money so fast is best; a fire safety report on Grenfell that should have taken a week was done in "15 chargeable hours". It is well understood in engineering that resilient systems must not be priced to the bone — it leaves no margin for recovery. Robust systems, by definition, must address contingencies. But blind belief in efficiency ignores circumstances in which low price exacerbates risk.

Unquestioning faith in outsourcing, competition and efficiency have been three of the dominant ideologies of business and management for decades. Why do I call them ideologies? In 2008, when [Alan Greenspan testified](#) before the US Congress to explain the global financial crisis, he acknowledged he had an ideology. Everyone, he said, had one: a conceptual framework by which people deal with reality. He had been distressed to find a flaw in his.

Accumulating tragic corporate failures reveal major flaws in the business ideologies that have dominated management for most of my lifetime. Outsourcing intrinsically carries invisible risks and costs: this must be admitted. Competition does not automatically force the best to the top — it also provokes perverse outcomes. Efficiency can be dangerous. Unless and until we are prepared to challenge and shift these ideologies, we will continue to be apologising for the death and destruction they cause.