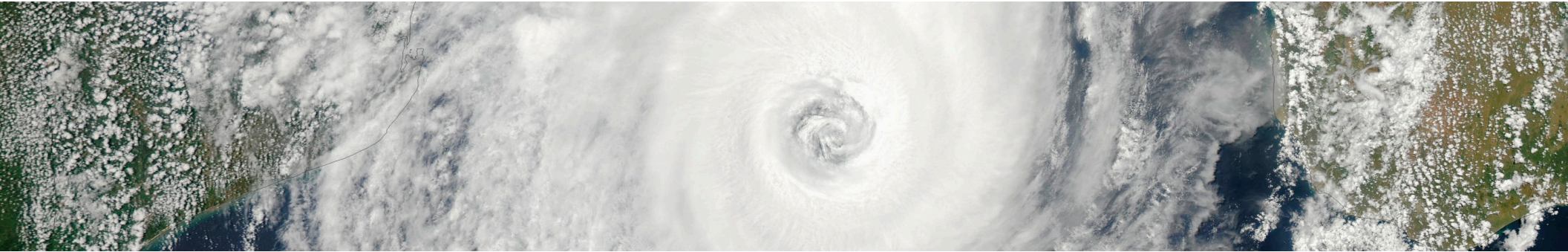




# Focus on: Overcoming natural disasters

The Deloitte Center for Crisis Management



## Tooth and claw

Unlike embezzlers, hackers, or litigants, nature doesn't have a plan for your organization. Nature doesn't wish you well and nature doesn't wish you ill. But it will command your attention—often without warning, always without remorse.

People and physical assets are typically the first things leaders think of when they contemplate natural disasters. Those are certainly important. However, "acts of God" can also imperil financial assets, reputation, and shareholder value in unpredictable ways. If a flood in another country puts one of your vendors out of action, or if a typhoon bottles up ships in port, you may experience the impacts from a natural disaster from the dry, safe comfort of your office.

Like any form of crisis, natural disasters present challenges that respond well to scenario planning, simulation, and aggressive preparedness. Like other disasters, natural ones can deal large setbacks in short spans of time. But unlike other types of threats, natural disasters take no notice of borders or jurisdictions, and they can take a variety of forms. Natural disaster is also different to other types of crisis because of the way private and public roles can intermingle—which can make your company sometimes the party in need, and other times the party others need.

Organizations that take an "all hazard" approach that combines respect, resilience, and joint planning can weather the storm—or the landslide, or the earthquake—and come back stronger than before.

## The common elements of crisis

A tropical depression doesn't resemble a financial depression. A data breach is nothing like a dam breach. But in a fundamental way, all business crises present the same imperative: Something has denied you your ability to function. Something has put your reputation and perhaps your continued organizational existence at risk.

As with other types of crisis, a natural disaster challenges you to restore function, preserve value, and move past the trouble. Unlike other types of crisis, the damage from a natural disaster can be widespread, cover many areas at once, and cross the boundary between your organization's concerns and those of the larger community. Natural disasters invite a loss of focus. What is your objective? Don't let the drama of the cause distract you from the business of the consequence.

## A mutual dependency

Before, during, and after the fact, natural disasters create de facto partnerships between government and private enterprise. The value of those partnerships flows in both directions, and the time to explore their boundaries and expectations is before trouble begins.

A business concern can be just like any other individual or corporate citizen in its dependence on first responders, restoration of essential services, and government recovery agencies. Long before that point, business and government may work together to build disaster resiliency, for example in the crafting of building codes. And in the midst of crisis, a company may become an indispensable element in a broader community response, especially if the company has responsibility for vital assets such as energy infrastructure, roads, or ports. In some instances the government may appeal directly to a company for assistance. In others, the need is self-evident. Even a food market, petrol station, or bank cashpoint can play a disaster recovery role that reaches past the company's own fortunes.

## The first domino is never the last

A crisis that starts as a natural disaster may turn into something else in the days that follow. If an earthquake knocks out a data center, you have a systems crisis. If a flood delays a shipment, you have an operational crisis. If large numbers of your team become homeless, you have a talent crisis.

Because crisis jumps these boundaries with ease, you should prepare ahead of time to follow. Seek out and eliminate the boundaries that divide your organization into silos. And look outside your organization to forge working relationships that can make you more agile—such as with government agencies, law enforcement, community groups, and other businesses.

## Resilience is a commitment—and a discipline

The old adage about the reed and the oak has its very origin in the spectre of natural disaster. When the wind blows, will you break—or snap back?

Deloitte helps organizations of all types find the unforeseen advantage in all types of crises. Natural disasters are no exception. The objective is to prepare for crisis in a way that lets your organization rebound from it stronger than before. But reaching that objective is a matter of hard work, most of which takes place far ahead of time.

Crisis has a lifecycle, and so does crisis management. Identifying threat vectors and vulnerabilities is an early step. Scenario planning can help take the surprise out of many surprises. 24/7 monitoring helps keep organizations ahead of events—or at least not behind. And robust simulation exercises can greatly improve the chance that an organization's crisis response will unfold in real life the way it intends it to on paper.

But making all that happen starts with organization-wide buy-in. On a “normal” day, people want to attend to business as usual. It takes vision and commitment to spend a sunny day in a conference room thinking about a terrible day. It takes leaders to get people there. We can help make it worthwhile.

## How to start

**Document everything.** After a disaster, you're working to restore the status quo. So what was the status quo? That question encompasses immediate needs like locating employees and their families. But it extends to things you'll have to account for later, like assets and receivables. Think maps. Think inventories. Think censuses. A strong, central data repository, governed by the right permissions, will speed response when it's needed most.

**Plan today the demands you'll make of others tomorrow.** But expect resistance—after all, today is sunny and clear. In the moment of crisis and for a finite period afterward, you're likely to find people more receptive to big asks. How can you use that window? Leaders with first-hand experience in large-scale disasters say the longer after an event you wait to request needed resources and commitments, the more the people in authority will return to a business-as-usual mindset that delays or even blocks necessary action. When the wound is raw, don't just ask for what will get you through the day. Think about what you'll need six months or a year down the road, and ask for it now.

## A world of crisis triggers

Crises can be malicious, accidental, or completely random. Most organizations are susceptible to threats from more than one of these potential triggers:

Malevolence & cyber	Misdeeds & financial crime	Financial disruption	Technological & industrial	Confrontations	Other catastrophes
Deliberate acts such as cyber attacks or product tampering	The ever-present risk of fraud or other criminal activity	Unforeseen failures that threaten a company's very existence	Complex systems fail, either through accident, mismanagement or sabotage	Legal, commercial, geopolitical, military conflicts	Natural or man-made destructive events that disrupt almost everything

**This is no time to stop delegating.** In the cinema, there is always a hero to lead everyone to safety single-handed. In real life, a natural disaster takes the operation of a complex organization and makes it more complex than ever. The firm hand at the top will need many deputies—capable, trusted deputies who can make independent calls in the heat of the moment. Waiting for permission to flow up and down a command chain is a recipe for paralysis at a time when paralysis has the highest cost.

**Defend in depth.** In the United States in 2012, many New York-based companies felt confident because their New York-based data centers had backup locations a hundred miles away or more. Then Hurricane Sandy pummeled both areas<sup>1</sup>. A natural disaster, with its attendant surprises, is a time when you will want your redundancies to have redundancies.

### **Business recovery in major natural disasters** **Disaster preparation and response: mutual support between government and enterprise**

When the Great East Japan Earthquake struck in 2011, the disruption to life and commerce was immediate: houses and buildings were damaged and the energy, communication, and transportation networks were inoperable. One major service company that operated widely in the affected area sprang into action, working to gather information, promote the safety of employees, and assess and restore facilities. The company was able to dispatch support units to locations in need, and returned to business only a week after the quake.

In fact, the company's success stood in contrast to parallel efforts by regional government officials. Administrative personnel with no logistics experience were tasked with sorting, storing, and distributing a large volume of relief materials, and

the result fell short of expectations. Even while the crisis raged, the company's visible effectiveness won the trust of government officials.

The two parties learned from this experience and have resolved to work together in preparing for future crises. A 2013 agreement cemented a formal partnership under which the company will support public-sector logistics operations in the event of an emergency. But they aren't just waiting for that to happen. Instead, the partners are at work on preparatory steps such as a review of procedural and training manuals, coordination plans among business units and agencies, selection of alternate sites, availability and distribution of recovery materials, and information system resiliency.

The company and the government are cooperating in the conduct of simulations for a future earthquake, in the hope that experience will strengthen people's understanding of their crisis roles and strengthen their joint response capability.

### **Contracting for the future: public-private partnership in managing recovery**

Another 2011 earthquake, centered on the Canterbury region of New Zealand's South Island, destroyed 70 percent<sup>2</sup> of the central business district of Christchurch. The Canterbury Earthquake Recovery Authority (CERA), a government department, was established and placed in charge of bringing the region back by coordinating all aspects of the recovery. An act of Parliament gave CERA and a government Minister special powers to expedite standard processes and cut through regulatory impediments. To get the work up and running quickly CERA initially relied on secondments from the private, local and central government sectors.

The need to protect lives, stabilize and/or demolish buildings, and promote a sense of security was immediate. From necessarily ad-hoc beginnings, a culture of "get it done, keep it on track" coalesced. As the sense of urgency receded, though, it took work to keep local government and stakeholders' interests in balance. The planners used crowdsourcing as one means to direct strategic priorities for the reconstruction of the central city. The team created a prioritization matrix to allocate time and resources. Each project had to demonstrate a contribution to the larger recovery before being funded and approved.

Recovery from a disaster of this scale was a first for New Zealand and as such there were plenty of lessons learned along the way. One was communication: The less the public knew about the actual cost and time estimates for each rebuilding project, the more likely they were to think the recovery was behind schedule and ineffective. Another one was the "National & Local Government understanding"—the different agencies' priorities and processes had to be well understood as soon as possible, and a mutual respect and collaboration approach needed to be agreed to avoid any unnecessary delays in the recovery process. Planners also learned that in navigating the politics that govern priorities and funding, it helps to distinguish more clearly between immediate recovery and long-term regeneration of the region.

CERA's enabling authority (including its special powers) are poised to expire in April 2016, but it leaves behind a city where more than 41 percent of the built rebuild has been completed, with a greener and public transport friendly central business district, and a much higher standard of earthquake-proof architecture. It will also leave behind a codified learnings database that will remain available online—as well as a cadre of government personnel, private-sector leaders, and outside advisers who have hard-won experience to apply the next time a crisis emerges.

<sup>1</sup>"Disaster Recovery: 10 Lessons from Hurricane Sandy." *The Wall Street Journal* 29 Nov. 2012.

<sup>2</sup>Scott, Jason. "Christchurch Rebuild to Cost \$34b." *The Sydney Morning Herald*. N.p., 28 Apr. 2013.

## The Deloitte Center for Crisis Management

No one knows when a turn of events will demand the best your organization can deliver. No matter what form it takes—whether it's front-page news or a quiet struggle only you know about—crisis is a moment of truth that tests your readiness, resilience, and character.

The Deloitte Center for Crisis Management helps organizations prepare for, respond to, and emerge stronger from major crisis events. In addition to its global team of experienced crisis management specialists, Deloitte has resources in every industry and discipline who can help bring experience and realism to crisis planning.

One of Deloitte's leading practitioners in the area of natural disasters is Graeme Newton, who heads Deloitte Australia's business resilience and crisis management practice as well as the firm's Center of Excellence for Crisis Management for South East Asia. Before joining Deloitte, Newton was chief executive of the Queensland (Australia) Reconstruction Authority (QRA) during its US\$9.9 billion effort to recover from devastating cyclones and flooding that hit northeastern Australia in 2010 and 2011. Today Newton also serves on the technical advisory group of the World Bank's Global Facility for Disaster Reduction and Recovery. To read more about Newton's experiences with the QRA, visit [www.deloitte.com/GraemeNewtonQA](http://www.deloitte.com/GraemeNewtonQA).

Disruptive events bring not only danger, but also opportunity—the “unforeseen advantage” you can seize if you're prepared. To learn more, visit [www.deloitte.com/crisismanagement](http://www.deloitte.com/crisismanagement).

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