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INSIGHT

By Alyson Warhurst

Business's Role in Disaster Prevention

Companies in construction, health care, transport, and even banking can play a role in preparing for natural disasters—and thus reduce their impact, especially on the poor

A year ago, on Oct. 8, an earthquake in Pakistan killed more than 73,000 people, injured more than 128,000, and left more than 3 million homeless. It was the latest in a string of disasters that shook the world, starting with the December, 2004, tsunami and continuing with the hurricanes that pounded the Gulf of Mexico and New Orleans. Along with the deaths, injuries, damage, and displacement, these and other disasters cost the global economy almost \$350 billion in 2004 and 2005.

In each of these disasters, the business community reacted admirably to the scenes of devastation, donating large amounts of cash, goods, and, in some cases, assets and expertise. But the key word is reacted. After the fact, action can only mop up the damage.

What's needed is more disaster prevention, not just disaster relief, in vulnerable areas. Humanitarian organizations aren't well-positioned to do this. Their mandates are to help people after events—and donors want their money to help the people they see suffering on TV. The World Food Programme is a case in point. A few years ago, around 90% of its assistance addressed chronic hunger and related development needs. Now, almost 90% of its work is emergency relief.

Global Reach By contrast, there is a real opportunity for business to take a proactive role in improving lives. Companies have a number of advantages when it comes to supporting a preventative approach to natural disasters. First, they are good at mobilizing communities. They have well-organized workers, cash, influence, creativity, expertise, and the ability to learn fast.

Globalization also means corporations are present in many "at-risk" areas, either as employers or customers. After a disaster, a company may lose its premises, its supply chain, its staff, and its customers. So it is very much in its interest to ensure the impact on affected communities is as small as possible.

To be sure, we can never know when or where disasters will strike. But certain areas are more susceptible than others to particular kinds of events. Moreover, evidence is starting to suggest that climate change will increase the frequency and intensity of storms, floods, and droughts.

Umbrella of Business It is also apparent that the poor suffer most in natural disasters. The World Bank estimates that 97% of disaster-related deaths occur in developing countries. In 2003, an earthquake destroyed the city of Bam in Iran, killing 27,000. At the same time, a similar-strength quake struck in California, and just two people died.

With planning and preparation, the effects of natural hazards can be greatly reduced. One only needs to look at the impact of Hurricane Katrina to see what happens when you don't prepare (the breaching of the city's inadequate levees) or plan (thousands of people were left stranded in the Superdome).

Companies can greatly cut disaster risk by helping reduce poverty, and therefore vulnerability, in regions where they operate. They can do this by the very act of doing business—providing decent jobs, paying suppliers on time, and paying taxes. But they also can go beyond minimum legal requirements, such as building codes, and invest in areas such as education to prepare communities for the possibility of natural disasters.

Microfinance's Mission Different business sectors can help in different ways. Construction companies can help earthquake-proof homes, schools, and hospitals in danger zones. Health-care groups can ensure emergency medical supplies are stored in staging warehouses. (In Pakistan, for instance, there was a local shortage of splints, bandages, and plaster.) Transportation and logistics groups can work to keep supply chains open and competitive; already, many such companies are working with humanitarian organizations on ways to better cooperate in the future.

Another key sector is financial services. Banks and investment groups can significantly reduce the vulnerability of the poor by providing innovative microfinance products, including credit, savings, and insurance. In Bangladesh, microfinance beneficiaries recovered much more quickly from catastrophic floods in 1998 than those without it (see BusinessWeek.com 10/13/06, "[What the Nobel Means for Microcredit](#)"). Insurers and reinsurers already play a big part in identifying the risks from disasters; helping people to overcome them would be a great challenge but also a huge achievement.

Of course, one lesson from dealing with post-disaster relief is that business cannot do it alone. Disaster-prevention programs work best when they bring together coordinated, well-funded partnerships with a clear vision of what they are trying to achieve. Companies such as DHL, TNT (**TP**), PWC Logistics, and UPS (**UPS**) have, through a World Economic Forum partnership, "identified a match between their skills and the humanitarian aid agencies" including sophisticated supply-chain management networks, fleets of aircraft and trucks, and staff skilled in ensuring the timely delivery of goods, making them ideal partners when it comes to dealing with disasters.

Enlightened Self-Interest, and More Governments have not made disaster prevention a priority, either in developing or industrialized countries, despite commitments made by the international community at the 2005 World Conference for Disaster Reduction. Notwithstanding Bono, Live8, the G8, and the African Commission, the political will to prevent the appalling losses that accompany natural disasters just isn't there yet.

Meanwhile, business is increasingly embracing corporate social responsibility, as demonstrated by the growth of sustainability reporting, ethical supply-chain management, and the rise of corporate and individual philanthropy. This was vividly illustrated by Warren Buffett's June, 2006, donation of \$37 billion to the Bill & Melinda Gates Foundation and the total of more than \$7 billion pledged at the Clinton Global Initiative meeting in New York in September, 2006, by companies as diverse as De Beers, Standard Chartered Bank, TNT, and Virgin.

Business support for disaster prevention, preparedness, and response is simply the right thing to do. Workers are spreading that message to their managers, executives are telling their boards the same. Businesses now know that disaster prevention is not just in their enlightened self-interest, nor simply a condition of their social license to operate. Rather, as individuals and groups, they see that they can really make a difference. It's more than the money—it's empowering and it feels rather good.

Professor Alyson Warhurst, Warwick Business School, is author of *Disaster Prevention: A Role for Business?*, an August, 2006, study for the ProVention Consortium, a global coalition of the U.N., World Bank, IFRC, and other organizations

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