

Is Your Business Disaster Proof?

Disasters have caused global economic losses of some US\$1.5 trillion since 2000.

An estimated 25% of businesses close their doors for good after a catastrophic event.

Smart business people are asking:

How would my business be affected by a cyclone or a flood?

How might a natural hazard impact my employees and our ability to maintain business continuity?

If I lose a key supplier or suppliers to a disaster, will I still be operational?

If floods close the roads that bring my employees to work what is the knock-on effect on my business?

Can I rely on local government to ensure that flood defenses are effective?

• *The nexus between business and extreme weather is real and potentially deadly.*

The Evidence

Extrême weather events are increasing in severity and frequency. Floods affect urban areas including major cities, megacities and metropolitan areas like Sendai, Brisbane, New York, Karachi and Bangkok, all of which have been affected by recent floods.

Natural hazards affect an average of 232 million people every year. These also include landslides, blizzards, cyclones, droughts, hailstorms, heat waves, forest fires and tornadoes. Global physical exposure to tropical cyclones has tripled in the last 40 years, leaving at least 4.3% of the world's GDP exposed.

In the last two years, five major earthquakes have struck Japan, Italy, Haiti, New Zealand and Turkey causing enormous economic losses. Earthquakes claim the most lives and are responsible for the largest economic losses of all the natural hazards. 2011 was a record year for disaster losses. At \$380 billion, global economic losses easily doubled 2010 figures and tripled the average for the past decade.

According to the 2011 Global Assessment Report on Disaster Risk Reduction – Revealing Risk, Redefining Development, produced by the United Nations Office for Disaster Risk Reduction (UNISDR), GDP exposure to floods is increasing faster than GDP per capita in all regions.



A worker in Wenchuan County, Sichuan. Many parts of Wenchuan were leveled roughly a year ago by the 5.12 earthquake

Even though some countries may have strengthened their ability to manage risk and reduce exposure, any such improvements have failed to offset the very rapid increase in new dimensions of risk that are fuelled by rapid economic growth and urbanisation e.g. non-resilient buildings and infrastructure, which have passed their expected lifespan. Existing land-use planning and building regulation are often incapable of properly assessing and addressing disaster risk in rapidly urbanising areas.

The 2011 floods in Germany and Australia illustrate that even high- income countries are struggling to manage increasing exposure.

Cautionary tales in the U.S. are similarly sobering. The U.S. Small Business Administration (SBA) provides low interest disaster loans to businesses which have been hit by a declared disaster. In 2011, it received 11,000-plus applications for disaster loans from businesses that sustained damage from Hurricane Irene alone. The SBA believes the number of applicants would have been much smaller if those businesses had been prepared for a disaster. Yet as of 2011, only 35 percent of small- and medium-sized U.S. businesses had a disaster recovery plan, according to a survey by technology firm Gartner Inc.

Less spectacular disaster events can also have major consequences for small firms and manufacturers. A magnitude 6.0 earthquake that rocked the famous cheese producing Reggio Emilia region of north-east Italy at the end of May 2012 destroyed a ceramics factory in Sant'Agostino di Ferrara and caused another factory to collapse in Ponte Rodoni di Bondeno. The quake also destroyed 300,000 wheels of Parmesan and Gran Padano cheese worth an estimated €200 million.

12 TIPS FOR A DISASTER PLAN

- Assess your risk, both internally and externally. Look at past emergencies, and assess whether your location is at a physical risk for future damage.
- Assess critical business functions.
- Review planned investments for resilience to disasters.
- Invest above and beyond codes - design and construction codes have not been adequately updated to protect you from disasters.
- Prepare your supply chain. Talk to vendors and find alternatives to back up primary suppliers.
- Create an emergency management plan for your employees.
- Back up your computer data.
- Create a crisis communications plan with up-to-date contact information for all employees, vendors and other business partners.
- Assemble an emergency supply kit that includes important records, contact information and cash.
- Review your insurance coverage.
- Plan for an alternate location if your primary location is unusable.
- Exercise your plan. Put it on paper and test it regularly.



Bailing out water from a shop in Venice, Italy

THE EXPERTS AGREE ...

An estimated 25% of businesses do not reopen following a major disaster.

80% of companies that do not recover from a disaster within one month are likely to go out of business.

75% of companies without business continuity plans fail within three years of a disaster.

[Hewlett-Packard and SCORE]

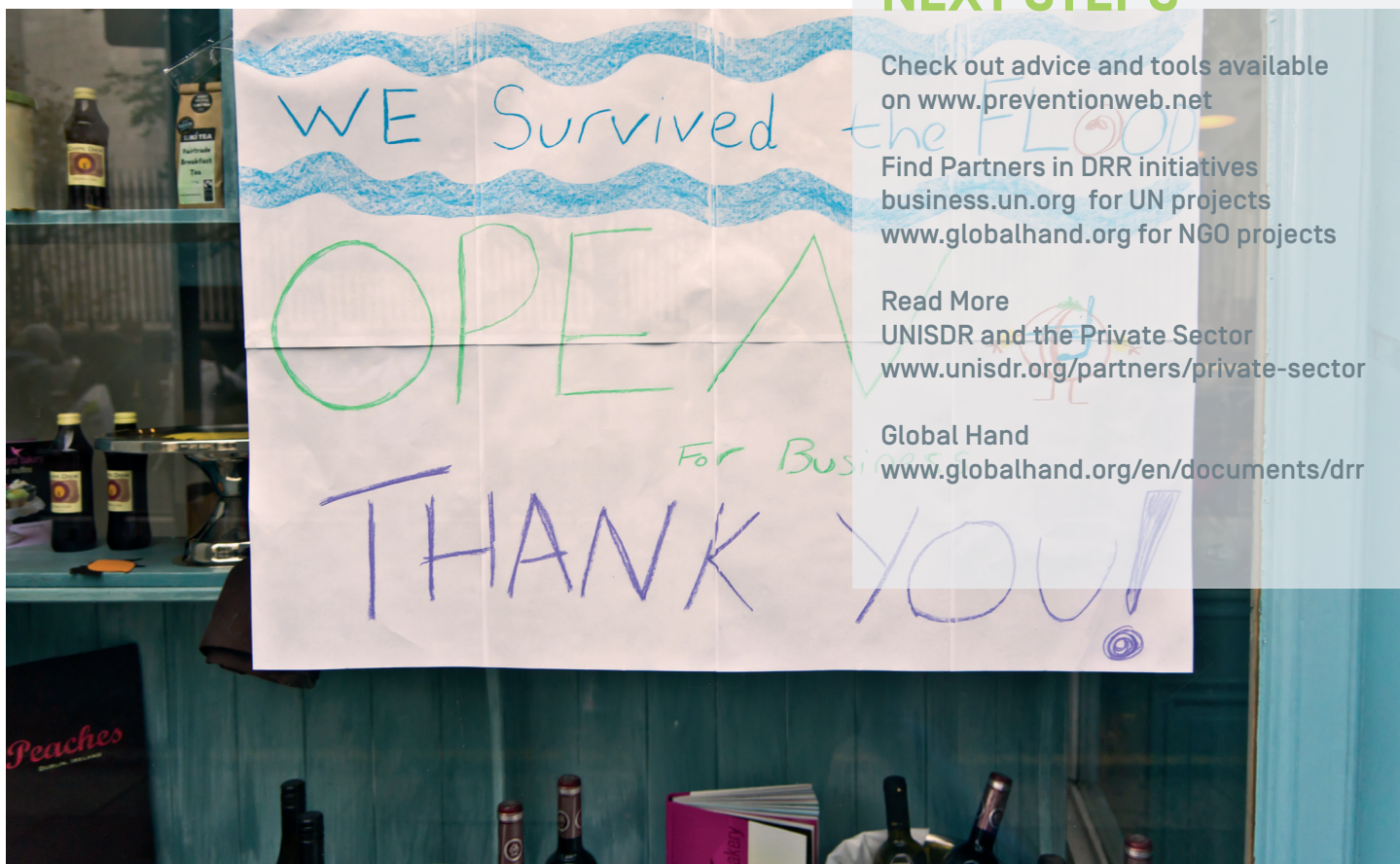
The Solution

In light of the clear and present dangers threatening your business, it would be prudent to run through the 12 Tips for a Disaster Plan shown above.

Nissan provides a positive example. 2011 was a tough year for Japanese automakers due to two major disasters – the Great East Japan Earthquake/Tsunami in March, and the floods in Thailand. Within two months of the earthquake/tsunami, Nissan's Iwaki plant, in the devastated prefecture of Fukushima, was almost back to full production. The company's crisis management also proved effective in Thailand where four-month floods forced the temporary closure of 891 factories in seven industrial estates north of Bangkok. Though Nissan was forced to close its factory outside Bangkok after floods affected parts suppliers, output resumed after one month and the automaker had a record sales year of 4.7 million vehicles, up 14% on the previous year. Thai-based manufacturers are now looking at ways to spread out risks among suppliers and one leading automaker, which did not cope as well as Nissan, is targeting a plan to get production back to normal in two weeks if another disaster strikes.

Many businesses are concerned about a wide range of day-to-day corporate risk such as enterprise risk, corporate governance, regulatory and operational risk, information and security risk, to mention a few. Fewer are considering the risk posed by natural hazards. Some businesses today are just starting to connect the dots, recognizing that disasters have just as much potential for disruption as cyber terrorism, corporate espionage, systems breakdown, reputational damage, hostile takeover bids or industrial action.

The first step is assessing your risk. The next is developing your strategy. As you do so, we invite you to get in touch.



We Survived The Flood - Open For Business

NEXT STEPS

Check out advice and tools available on www.preventionweb.net

Find Partners in DRR initiatives
business.un.org for UN projects
www.globalhand.org for NGO projects

Read More
UNISDR and the Private Sector
www.unisdr.org/partners/private-sector

Global Hand
www.globalhand.org/en/documents/drr

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