

## » Prevention, the key to deal with crises caused by natural disasters

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Crisis are, in many cases, accidental events whose causes range from defective products or services to plane crashes. But, what happens when crises are caused by a natural phenomenon or disaster? In Ecuador there is a scenario in which the country would have to face two natural disasters: the eruption of volcano Cotopaxi and the arrival of El Niño. Were both events to take place, they would certainly entail huge economic losses for the country and its economy. However, this context also poses reputational risks for corporations, which will be explained in this paper.

If we take a closer look at the figures, it should be noted that the provinces of Cotopaxi, Pichincha and Napo (located in the Sierra region) would be the most affected zones by the volcanic eruption. According to the National Secretariat for Risk Management (Secretaría Nacional de Gestión de Riesgos), there are 325,000 vulnerable people across the aforementioned regions and, from an economic point of view, there is a total of 36,532 businesses that could be affected in the four Cotopaxi areas, entailing losses of USD 117 million in exports and 283 million in fixed assets. On the other hand, all seven Coast provinces will have to face the consequences of El Niño, according to the National Secretariat of Planning and Development (Secretaría Nacional de Planificación y Desarrollo), amounting to USD 237.9 million losses during the winter season, with the agricultural sector as the most affected field of activity (USD 93.5 million).

Although in both cases the government has implemented several information and training initiatives in addition to certain contingency measures, there are concerns about the impact that these events will have on those elements that cannot be protected



through early warning, for example, the fixed assets of the companies located within the risk areas.

Let us analyze a specific example: the metallurgical plant Novacero located in Lasso (Cotopaxi) had to stop production for 12 hours on August 15 due to an evacuation order made by the authorities. The losses of the stoppage were close to USD 1 million. At the same time, the flower plantations between Machachi (Pichincha) and Mulaló Lasso (Cotopaxi), 843 hectares of flower farms (95 % for exports) had to discard 4 % of its export output so far due to the contamination generated by the volcano. Finally, official data show that just in Latacunga (Cotopaxi) a sudden eruption would affect 25,000 businesses and 35,657 people would end up unemployed.

As regards El Niño, forecasts suggest that it will be more devastating than that of 1997-1998, when it led to losses amounting to over USD 150 million due to the destruction of infrastructure and crops throughout the Coastal region. However, the government has reported that it has carried out several public works in recent years to prepare the country for a disaster of such magnitude. For example, two megaprojects and water infrastructures will start operating between October and January in Cañar and Guayas. These works would enable control of the floods and irrigation throughout 85,000 hectares.

### Preparedness and messages, the key

In this context, it is clear that we cannot sit and wait for the crisis to break out; there must be a plan. As regards companies, it is important for the plan to include the views of each of the stakeholders to whom they are accountable in such situations. In that vein, there are two messages that need to be conveyed before the crisis:

- My company has a response plan (in that case, we must prepare it!).
- All the information handled by my company is sent to the official sources.

This would enable corporate actions and messages to contribute to the protection of the company's reputation even in such complex times. For example, the intention to protect the lives of the employees will be explicitly expressed, as well as the safety of infrastructures and assets and the welfare of the community, since the aforementioned audiences play a key role to convey these corporate messages in their environments.

Let us build on the Novacero case. According to the newspaper El Comercio, with an initial budget of USD 500,000, the company designed a contingency plan which included the construction of a containment wall of 300 lineal meters which should serve as a shield in case the volcano triggered lahars, in addition to the construction of a shelter within the 20 hectares of the factory which will house 700 employees and their families in case of eruptions. This plan also includes guidelines to protect production, machinery and raw materials. Given the situation, the company also carried out analyses in order to find how many of its employees were in the danger zone and how should the company aid them in case of emergency. Finally, the corporation is also carrying out ongoing training and drills with the staff.

## WHEN A CRISIS IS CAUSED BY A NATURAL DISASTER

Below you will find some guidelines on how a company should act in case of natural disaster since all will inevitably demand the attention of its target audiences, i.e., its employees, shareholders, customers, etc. and there can be consequences in each of the aforementioned groups unless the pertinent measures are taken in line with a sound "crisis management" policy. It should be noted that one can only know when a crisis starts, but not when it ends.

### How does a company react to these risks?

The first reaction is fear, panicking. When a risk turns into a threat, we need someone to manage the reputation of our company or brand to transform the ongoing crisis into an opportunity or a solution. After this initial step, we need to develop the following actions:

- **Prevention: it is recommended to have a business contingency plan.** It is essential to assess, develop and update all the communicational crisis materials that the corporation possesses. The next step is to structure the plan, but what should it include?
  - » Assess all potential scenarios. Work on strategies for each of them.
  - » React quickly. In an orderly and strategic manner, through previous preparedness.
  - » Communicate in an honest and transparent way.
  - » Show commitment to employees.
  - » Hold regular meetings with the department of industrial security and human resources.
  - » Draft the guidelines of the evacuation plan and have the authorities review and approve them.
  - » Hold meetings with the insurance broker to review all active policies.
  - » Involve management.
- **Crisis Committee or Board.** It is necessary to create or develop new training for the current management committee in order to establish a common action plan, as occurs in the security area or production plant.
- **Previous communication with stakeholders.** Due to the need for transparency and control even in times of crisis, it is crucial to convey messages to the various stakeholders about the way in which the company will face the situation. Thus, they will know the procedures to be followed, which will enhance the company's reputation as a reliable organization that has a contingency plan. What should corporations do with each stakeholder?

#### Employees

- » Let them know what the protocol or plans are.
- » Keep a constant communication with them.
- » Hold workshops or evacuation drills.
- » Establish a calm work environment.
- » Carry out an informative survey in collaboration with Human Resources in order to have updated data of each employee.
- » Make them trust the company, since they will want to know what will happen to their jobs, and the company will have to reassure them and communicate that in this type of situations the first step is to assess the impact and then resume the activities normally.

"You can only know when a crisis starts, but not when it ends"

- » They should not feel threatened, but feel comfortable in a company that is ready and will effectively meet any potential contingency.

#### Facilities

- » If the plan includes measures to develop or work in structures that prevent major impacts on the company and its assets, congratulations.
- » Review the insurance policies with the broker.
- » Ensure that all evacuation routes and contingency plans are in line with the established guidelines.
- » Carry out an assessment of all corporate facilities to analyze their state.
- » Appoint roles and functions in the different stages of risk management, for example: who is better trained and ready to carry out a specific function?
- » In case of an early alert, protect the valuable documents that could be lost.
- » Keep corporate information stored in external security servers.

#### Suppliers

- » Establish action plans.
- » If the communication and road lines collapse, there must be a prior supply plan to continue operating.
- » It is necessary to hold a previous meeting to appoint people or external delegates of goods or products. They should communicate with other suppliers and provide information on behalf of the company.
- » Inform providers – if there is a production plan – particularly those outside the risk areas or cities, in order to let them know the time it will take to receive their product or meet the demand.

#### Customers

- » Have an updated database to provide information periodically.
- » Let them know, even after the crisis, the results of the damage assessment and which will be the company's strategy of recovery.

Along with all stakeholders, once the most critical moment of the emergency has been overcome, establish a plan for the recovery and rehabilitation of infrastructure and relations with the stakeholders. To this end it is recommended to:

- Know the status of the workers.
- Carry out an analysis of the human and physical damage affecting the company.
- Subsequent evaluation meetings with industry, authorities and insurance brokers to launch the recovery stage.
- Publish information with common sense. This action will ultimately benefit the corporation.

## CONCLUSIONS

All processes that the company decides to implement must be aligned and agreed with the authorities in power: it is important to communicate in line with the official recommendations. This is a very useful strategy and tool to achieve efficient results, particularly because this will help establish multi-sectoral, inter-institutional and community synergies.



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