Executives Must Plan for Unexpected Natural Events that Can Harm the Company.

Insights
3.06.19

One of my recurrent business themes is the need for businesses to try to plan for unanticipated events that could devastate the business and destroy shareholder value.

The event that convinced me of the need for formal “what-if committees” was the huge awards against cable companies years ago for allegedly starting that year’s big California forest fire. It is appropriate that I again raise this subject because of the bankruptcy filing by California’s utility, PG&E. because of legal claims arising from last year’s deadly fires.

Think Globally About Risk.
A thoughtful article in the Economist described how floods associated with climate change have damaged some industries, but others were prepared because of What-if planning and assistance by organizations such as FM Global. Regardless of what one thinks about climate change, executives should consider climate in what-if planning.

Smart companies consider everything from weather to attacks on utilities to pandemics.

From *Business and the Effect of Global Warning:*

Mr Gritzo’s job (FM Global) is to help future-proof assets—corporate headquarters, factories, theme parks, campuses and the like—worth a total of $10trn globally.

When Hurricane Maria swept away most of Puerto Rico’s thriving pharmaceuticals sector in 2017, the building belonging to Mylan, a drug maker which works with FM Global, was one of the few in its neighborhood left intact. A strengthened roof had withstood 150mph winds. Mylan kept churning out medicines and FM Global was spared a big payout.

,,,,

It is not only storms and floods that are a threat. Climate change is also responsible for a lack of water where it is needed. Last summer low levels on the Rhine grounded barges that BASF, a German chemicals giant, uses to ferry its products. Industrial firms fret constantly about water supply. “We are the last in line,” behind residents, farmers, and other businesses, sighs an executive at a big Indian conglomerate. In January PG&E, a utility facing billions of dollars in liabilities over its possible role in sparking wildfires in California, which proliferate as the state grows more parched, filed for bankruptcy protection.

The Consequences of Being Caught Off Guard.
A February 13, 2019 FM Global piece, *Master the Disaster - CFO Natural Disaster Preparedness in 2019 and Beyond,* describes the consequences of not thinking creatively in evaluating risks and business continuity. An alternative title was *CFOs Be Aware – You May be Held Accountable for Natural Disaster Catastrophe Losses.* Below is the description of the white paper:

Who could be held responsible for such destruction? The answer might surprise you.

Climate change. Increased natural catastrophes. Property damage. Who's to blame? Is it Mother Nature or the CFO?

FM Global's new white paper indicates the blame lands squarely on the individual that owners and shareholders can access—the CFO.

....

The study is based on an analysis of 10-K filings of nearly 100 public companies, many of which suffered property damage and business disruption from hurricanes in 2017, with losses ranging from a few million to hundreds of millions of U.S. dollars.

Other Tools.
We've written often on how unprepared many employers are for catastrophes and workplace fatalities, so we'll only reference items dealing with weather and natural catastrophes:

FM Global – Coping with Extreme Precipitation and Flooding.

FM Global – Wildland fires.

Fisher Phillips 2018 Comprehensive FAQs on Hurricanes and Other Workplace Disasters.

FM Global – The Business of Climate Change.

FM Global - NATHAZ Toolkit.

FEMA – National Preparedness Resource Library.

OSHA Hurricane Preparedness and response Page.

OSHA Flood Preparedness Page.

NIOSH – Pandemic Preparedness.

Fisher Phillips - Get Caught “Again” By A Snow Apocalypse And You'll Have No One To Blame But Yourself

Service Focus

Workplace Safety and Catastrophe Management