

Preparation counts when natural disasters affect Hong Kong's listed businesses



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Hong Kong and the countries around it are vulnerable to natural hazards of almost every kind – from earthquakes to droughts, from floods to tsunamis. Experts argue that the situation will get even worse with the impact of climate change.

People living in Asia Pacific are 25 times more likely to be affected by natural catastrophe than Europeans or North Americans and four times

more vulnerable than those living in Africa, according to the Asia-Pacific Disaster Report 2010 by the United Nations. The report notes that natural disasters had disproportionate impacts on human development, especially as the Asia Pacific region lacks comprehensive natural disasters assessment capacity. While markets here generate about one quarter of the world's gross domestic product, Asia Pacific accounted for 85 percent of deaths and 42 percent of global economic losses due to natural disasters.

In North Asia, China ranks as the top location for natural disasters historically, with 574 occurring between 1980 and 2009, followed by Japan (155), South Korea (70) and Hong Kong (57) for the same period. This is noteworthy because many of Hong Kong's listed companies have operations in two or more of these countries.

A natural disaster in any of these locations could have immediate impact on a company's stock price, not to mention employees, morale, facilities, day-to-day operations and the company's ability to perform. Business leaders in the Greater China region must ensure their businesses have integrated emergency management systems and appointed senior executives in place before disaster strikes, so they will know how to mobilize resources quickly. Thorough analysis of vulnerabilities, crisis response strategies and crisis implementation for the company should be conducted periodically.

While most companies have in-house risk management teams and disaster recovery strategies in place, Hong

Kong business titans must themselves be amply prepared too. Personal leadership qualities can make all the difference between a company that barely survives through challenging and difficult times and a company that leaves a lasting positive legacy on affected communities, its reputation and value.

During natural disaster management, CEOs and business leaders face extraordinary demands as they have ultimate responsibility and accountability for the company and the actions of their staff. Decisions made in the first hours of a company emergency especially, can have far reaching and lasting consequences. Yet it is during the first few hours that CEOs have the least amount of resources to assist them in the decision-making. Such conditions place CEOs at considerable risk on many fronts: professionally, legally, and financially.

To mitigate against such risks, CEOs and business managers must be personally prepared for both situational awareness and self-awareness in a crisis. Disaster management is a test of real leadership.

Having situational awareness means having the ability to effectively coordinate all functions of the crisis response through frequent communications, to correct mistakes early and to monitor what stakeholders and the media are expecting. Effective leaders will focus their attentions on mobilizing appropriate responses to protect corporate value and demonstrate the credibility to manage emergencies brought on by natural disasters.

Effective leaders also demonstrate self-awareness and their position as role models. Keeping commitments, honesty and trustworthiness are paramount personal leadership traits. In "The Art of War" by Sun Tzu, the Chinese philosopher said, "If you know others and know yourself, you will not be imperiled in a hundred battles; if you do not know others but know yourself, you win one and you lose one; if you do not know others and do not know yourself, you will be imperiled in every single battle."

As news of natural disasters become more frequent, Hong Kong companies with operations in the region need to ensure that both they and their leaders are well prepared to respond and protect shareholder value.