

Preparing Businesses for Terrorism and Other Emergencies

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With control of an estimated 85 percent of critical infrastructure in the United States, the private sector drives the US economy.²³⁹ Yet growing risks from terrorism, natural disasters, technological crises, and other sources have made businesses increasingly vulnerable to disruption.²⁴⁰ For this reason alone, the private sector has a major role to play in government planning for emergencies.

After 9/11, businesses and other private sector organizations increasingly acknowledged the need for organization wide emergency management and business continuity programs.²⁴¹ In the United States, in the years since, hurricanes and tornadoes in the South and Southeast, wildfires in the

Southwest, and a blackout in the Northeast have all served to underscore this need. Corporate preparedness using an all hazards approach can reduce the devastation of such wide scale catastrophes and help protect profitability.

Persuading businesses to adopt preparedness measures is not an easy sell, as investments in preparedness must serve the bottom line.²⁴² The Sloan Foundation's interest in strengthening the response of civilian institutions to disasters led to the development of financial incentives to prod corporate preparedness. To accomplish that, businesses and policymakers needed reliable data to make the financial case, a set of criteria that defines preparedness, and an objective measurement that confirms criteria have been met.



Developing Standards for Business Preparedness

A Framework for Voluntary Preparedness

On August 3, 2007, Implementing Recommendations of the 9/11 Commission Act of 2007 was signed into law.²⁴³ Title IX of the act called for creation of a voluntary business preparedness standards program to both promote preparedness and establish a measurable standard to

gauge a company's preparedness. The law gave DHS the lead on building this program, but it also called specifically for private sector input for implementation.

The process for choosing a suitable national standard was immediately contentious. Two organizations had already formulated business continuity or preparedness standards.²⁴⁴ There was some competition between them, as each wanted to be seen as having the standards most broadly applicable to the nation's businesses. Paula Olsiewski, with help from Bruce Blythe, CEO of Crisis Management International, and Bill Raisch, director of the International Center for Enterprise Preparedness (InterCEP) at NYU, brought together representatives from standards organizations and experts in business preparedness to find points of consensus. That meeting took place in October 2007, when representatives from three major standards organizations—the American National Standards Institute (ANSI), the National Fire Protection Association (NFPA), and ASIS International—met at the Sloan Foundation offices in New York with emergency response experts from Walmart, Goodyear Tire and Rubber Company, Target, Home Depot, and business continuity firms. “We brought together the Hatfields and McCoys,” Blythe said.²⁴⁵

During the meeting, a small group was asked to write a consensus report that could serve as private sector input for DHS. “Framework for Voluntary Preparedness” was written by Marc H. Siegel, Al Berman, Donald L. Schmidt, and Carol Fox, representatives from ASIS International, Disaster Recovery Institute International, NFPA, and the Risk and Insurance Management Society, Inc.²⁴⁶

The authors identified core elements of preparedness in established regulations with which businesses already complied. This meant a company could work to comply with the standard it preferred, and if core elements were satisfied, then preparedness performance could be improved. The authors thought that “. . . greater resiliency success will be achieved if businesses are given the freedom and flexibility to determine how they will improve preparedness in a way that best fits their respective business

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models.”²⁴⁶ According to Al Berman, one of the report’s authors, this approach would give DHS some early success, as many large companies would find that they were already in compliance, and they would push compliance down to their suppliers.²⁴⁷ For the program to be successful, this type of push would be essential because there

was no tangible incentive or tax credit written in the legislation to reward businesses for compliance. Berman suggests there are additional barriers to participation, as companies may be reluctant to reveal vulnerabilities in the event of litigation, a concern echoed in an InterCEP report on the legal concerns of voluntary business preparedness standards.^{242,247}

Some elements of the Sloan sponsored report are mirrored in PS Prep, the voluntary private sector preparedness program DHS announced on June 15, 2010.^{248,249} PS Prep allows companies to choose from several applicable standards from NFPA, the British Standards Institution, or ASIS International. Don Schmidt, another of the report’s authors, suggests that in the time since the 9/11 Commission issued its recommendations, the original concern about what could have been done to save more lives has waned, though companies

may be more aware of the need for preparedness.²⁵⁰ Although the program has been slow to gain momentum, it is now starting to certify companies. In March 2012, AT&T was the first company certified under the DHS program, and Secretary Janet Napolitano has urged other companies to follow that lead.²⁵¹



Business Planning for Pandemic Influenza

CIDRAP's National Summit and Business Source

In February 2006, more than 300 business leaders from 200 companies braved cold Minneapolis temperatures to attend the two day meeting Business Planning for Pandemic Influenza: A National Summit. The goal of the event was to “give business leaders an opportunity to learn from experts about the risk of pandemic influenza and help figure out how their industries can prepare for it.”²⁵² The summit was organized by Center for Infectious Disease Research and Policy and sponsored by the Sloan Foundation and the US and Minnesota chambers of commerce.

The driving force behind this event was CIDRAP director Michael Osterholm, who is well known for his efforts to get the nation prepared for pandemic flu and bioterrorism. In addition to his academic publications, he wrote *Living Terrors*,²⁵³ a layperson's guide to biological terrorism

preparedness, and, on January 24, 2006, he was Oprah Winfrey's guest for a full hour to discuss pandemic influenza.²⁵⁴ His focus on getting the business community prepared was made clear when he testified before the House Committee on International Relations in 2005:

We can no longer assume that business continuity plans for both our multinational companies and small businesses, largely based on the concept of a regional event of a limited duration, will approximate the actual impact and consequence of an influenza pandemic. Rather, I believe an influenza pandemic will be like a twelve to eighteen month global blizzard that will ultimately change the world as we know it. This will occur even if we experience a mild worldwide pandemic of millions of deaths, rather than many millions of deaths.²⁵⁵

CIDRAP's business preparedness summit sparked wide interest, attracting representatives from such companies as IBM, Pfizer, Koch Industries, Cisco Systems, DuPont, JP Morgan, Mattel, Travelers, and Walmart, who heard

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presentations from Michael Leavitt, then secretary of HHS; author John Barry; newsman Ted Koppel; and former HHS Secretary Tommy Thompson.

Subgroups met to discuss continuity planning for specific industries, such as healthcare, manufacturing, transportation, warehousing, and energy. As Osterholm noted at the time, "I think it's the first conference of its kind to bring together all the various industry sectors to actually work toward determining and addressing current gaps in planning" for the business community.²⁵⁶

Not surprisingly, the summit attendees were concerned about the effect of pandemic influenza on their businesses. A survey taken during the conference found that 84 percent of respondents “definitely believed a pandemic would disrupt their supply chains.”²⁵⁷ Still, 21 percent had not started planning, and 59 percent said their companies had started working on the issue but did not yet have a plan in place.²⁵⁷

Over the next four years, Osterholm and CIDRAP, with support from the Sloan Foundation, deepened their commitment to helping the nation’s businesses prepare for influenza. CIDRAP Business Source was formed, with US editorial board members that included the Chamber of Commerce, Deloitte & Touche, and International SOS.²⁵⁸ They sent regular newsletters to business executives, held additional flu summits in 2007 and 2009, hosted webinars, and released reports on the pandemic threat to the nation’s power supply. Their recommendations for businesses included: (1) develop a flu emergency operations team with two deep redundancy; (2) educate employees to stay home if they are sick; (3) investigate the preparedness planning of suppliers and contractors; and (4) think ahead about how to satisfy Sarbanes Oxley disclosures during a pandemic.²⁵⁹

Business leaders feared an imminent and devastating H5N1 pandemic, but when H1N1 emerged in 2009, it was relatively mild for most people. Interest in business preparedness for flu waned. On June 2, 2011, the decision was made to suspend the business outreach for flu, although the need for planning remains. As Osterholm warned in his newsletter, “If you’ve seen one pandemic, you’ve seen one pandemic. The 2009 H1N1 pandemic has been declared over. But the emergence of another pandemic remains a threat.”²⁶⁰



Measuring the Value of Corporate Preparedness

New York University's InterCEP

InterCEP is the world's first major academic center dedicated to business continuity and crisis management. The center was established at New York University in 2004 and is directed by Bill Raisch, who served as a private sector preparedness advisor to the 9/11 Commission.

In 2005, with a three year Sloan grant, InterCEP started making the business case for preparedness by identifying economic incentives that would motivate large and small companies to plan for maintaining operations after an attack. To that end, InterCEP focused on what could be done in the legal, insurance, rating agency, and regulatory realms to help businesses and ensure the safety and continuity of critical supply chains. Their work and the work of others paved the way for a 2007 law²⁴³ that requires DHS to support development of the voluntary certification program for all hazards business emergency preparedness that became the DHS PS Prep program.

In the business world, the InterCEP initiative was both novel and challenging, explained Raisch:

Corporations are about business, and business is about making profits. . . . The profit motive is the physics of the business

environment. We can only do so much with jingles and calls to the heart. Without a clear, ongoing business case, the sustaining [preparedness] effort is not going to be there. So we've always emphasized the internal business case: What impact does preparedness have on revenue, on expenses, on the balance sheet, and on protecting assets and decreasing liabilities?²⁶¹

To develop legal incentives for corporate preparedness, InterCEP examined the risks of insufficient planning and proposed a strategy to curb legal liability. Applying the legal principle of “affirmative defense,” a company that has prepared for disaster before an emergency may be able to reduce its liability by offering proof of that preparation after the crisis has passed. With Sloan Foundation support, InterCEP convened a series of roundtables for lawyers from leading corporations, trial attorneys, and others to clarify the legal rationale for corporate preparedness and the value of the affirmative defense approach.

To develop insurance incentives, InterCEP sought to link preparedness to benefits in insurance underwriting, pricing, and policy terms. With Sloan support, InterCEP convened roundtables with insurance underwriters, brokers, and corporate risk managers. Since insurance companies have no standard measures of preparedness, there is no actuarial data that can be used to determine whether better prepared firms incur fewer business losses.²⁶² The situation is particularly acute for medium sized businesses. Although larger corporations can meet with insurance underwriters and argue that their preparations have minimized their potential for loss and should result in a more favorable insurance premium, small to medium sized businesses need

data to demonstrate the difference between a company that is prepared and one that is not.²⁶¹

For rating agency incentives, InterCEP examined whether business preparedness helped companies meet debt obligations after a crisis. The goal was to link preparedness with a firm's credit rating and cost of capital. A goal of InterCEP was realized in early 2008, when Standard and Poor's (S&P) announced a new policy to include an assessment of "enterprise risk management" (ERM) in its rating of all corporations.²⁶³ ERM requires a firm to address all of its risks on a firm wide basis. Management from the 3,000 plus firms rated by S&P in the United States must now present and discuss their ERM practices at meetings with ratings analysts.²⁶⁴

Though the DHS PS Prep certification program is still in its early stages, it has the potential to make corporations more resilient to disasters by defining a common metric for preparedness. After all, Raisch explained, corporate preparedness is not easy to discern from the outside.

You can walk into a building with a clipboard, look up at the ceiling, and see the sprinkler systems. But you can't necessarily just look at a three ring binder and say, "OK, you've done the exercises, your people know about preparedness." Who knows what's in the binder and what the binder is about? This is where a standard set of industry based criteria are essential. A third party can come in and say, "Yep, we've done the audit, and we've found that you are prepared to this standard set of criteria, and we certify that."²⁶¹

Looking back on his Sloan supported endeavors, Raisch considers the development of metrics to be his biggest achievement because "measurement

allows for the accumulation of data that will inform management of the value of preparedness. We have also created a robust community around this a community of both thought and action.”²⁶¹



Understanding the Barriers to Corporate Preparedness

A Study of Human Continuity Preparedness

Terrorists have a history of targeting workplaces. The World Trade Center in New York and the Pentagon in Washington, DC, were attacked on 9/11. The US Postal Service, US Congress, and major media centers in New York City and Florida were targeted in the October 2001 anthrax letter attacks. The Alfred P. Murrah Federal Building in Oklahoma City was bombed in 1995. Transportation systems that are the workplaces for some and the means of getting to work for others have also been attacked: the Moscow subway in March 2010, the London subway in July 2005, and the Madrid commuter train system in March 2004. Robert J. Ursano, director of the Center for the Study of Traumatic Stress (CSTS) at the Uniformed Services University of the Health Sciences, agrees that work settings are vulnerable: “As terrorists will continue to focus their efforts on vulnerable targets with the greatest potential for

impact on society, the workplace is likely to continue to be the site of future attacks.”²⁶⁵

Despite this threat, most businesses are not prepared for the consequences of a terrorist attack. Some larger businesses have continuity or crisis management plans, but it is not clear how well those plans are exercised, or whether the psychological and behavioral consequences of terrorism have been given enough attention. With funding from the Sloan Foundation, CSTS embarked on a project to understand the barriers to corporate preparedness.

Ursano and his colleagues interviewed managers and leaders in large US corporations “to systematically explore the present status of human terrorism preparedness in the workplace.”²⁶⁵ Business continuity plans tend to focus on supply chains and contractors, but Ursano and his colleagues wanted to find what is being done to promote “human continuity,” which refers to “sustaining the health, safety and the ability to perform of individuals in a corporation, organization, group or community after a critical incident, disaster or terrorist attack.”²⁶⁶ An assessment of human continuity examines such factors as employee willingness to come to work after an event and workplace resources that could be offered to foster resilience and rapid recovery for employees.

CSTS also held a Sloan funded workshop in June 2006 that gathered more than seventy professionals from the public and private sectors to educate them about the psychological consequences of disaster, terrorism, and bioterrorism and the need for human continuity planning.²⁶⁷

Through their interviews with people throughout the corporate structure, including C class executives, human resources and employee relations

professionals, and occupational health services staff, Ursano's team identified several barriers. For instance, the researchers noted that corporate security officers are often concerned only with the day to day security needs of a company, though they should also be charged with building "a community of safety" that will enhance a company's ability to function during and after a terrorist attack.²⁶⁵ The researchers also observed that medical directors and occupational health professionals are often not involved in corporate decision making. This practice inhibits a company's ability to plan for the health implications of terrorism, "especially bioterrorism and infectious disease outbreaks with population health implications."²⁶⁵ Finally, Ursano's team asserted that, to be effective, exhortations to "get prepared" must be translated "into the defining event language of a specific corporation's histor[ical] experience with a disaster or critical event," such as a natural disaster, a disease outbreak, or social unrest.²⁶⁵

