

## *Chapter 17*

# **European Commission and U.S. Approaches to Business Engagement in Disaster Relief and Preparedness**

## **A Case Study on Non-Commercial Engagement in Preparedness Efforts**

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Donor agencies increasingly emphasize disaster preparedness programs. Both the U.S. and the EU have specific offices within ECHO and USAID focused on the issue. Despite the increasing focus on disaster preparedness and some acknowledgement that the private sector can play a role in these efforts, little in the way of actual business-donor engagement has occurred in this area, particularly when it comes to non-commercial business engagement. As a result, this case study focuses on non-commercial business engagement in disaster preparedness by examining cases where a business partnered with an implementing agency. These case studies highlight where and in what ways businesses can provide pro-bono assistance that enhances the agencies' capacity to respond to disasters, as well as some of the potential issues related to this type of engagement.

Initiatives from the private sector to engage in preparedness efforts on non-commercial terms are significantly less popular than initiatives for response efforts (or commercial initiatives for disaster preparedness). Some explanations for this difference are that companies are more reactive to sudden onset events that affect their stakeholders with tangible impact. Until the event has taken place and the company has been able to justify the direct impact it had on its workforce, market, and reputation it is difficult to build the business case for a low probability high impact event. Take for example an earthquake that destroys the communities where employees and customers live. A company may not anticipate as a high priority the different ways in which it can help that community to go through the consequences of the earthquake until after one has occurred.

Another reason to be considered is that preparedness is often misunderstood and underestimated. Cyclical disaster areas being the exception, disasters tend to be ignored or poorly integrated in society resulting in people not understanding the need for preparing for them. For example, companies may ask themselves: Would it really affect us? Can we even do anything about it? Even if they manage to address these questions they may not know how to reduce vulnerability (i.e. what can I do to be better prepared?), or who to rely on (i.e. who is responsible for helping us? Who do we trust for help? Who do we work with if we want to help?). Finding answers to all these questions requires managerial attention and resources, that if well

coordinated can lead to a preparedness plan. Unfortunately for most companies, this type of managerial attention comes only after a major event has affected them.

Finally, the benefits of preparedness and prevention are harder to quantify and communicate to stakeholders that drive donations and other non-commercial initiatives. To speak in financial terms, the return on investment of preparedness is harder to calculate than it is for responses where the needs are immediate and the quality and quantity of the response can be evaluated in the short term.

Similarly, initiatives from the private sector for preparedness on non-commercial terms are significantly less popular than commercial ones. Some reasons to explain this difference are that the need to prepare can be seen as a public duty rather than a civil duty (i.e. governments should be responsible rather than individuals or companies). The conclusions at the end of this study explore how governments can help to promote non-commercial initiatives from the business sector for preparedness.

Another reason is that vulnerability reduction is considered by some a business opportunity. Some companies, especially those providing services and products for the reduction of vulnerability, deal directly with governments or individuals on a commercial basis. Examples of these companies include transport providers specialized in government services, producers of first aid medical items, producers of non-food items essential for post-disaster relief (i.e. mosquito nets, water sanitation tablets, etc). Other companies have adapted their activities to reduce vulnerability as part of the sustainable development initiatives. Among these companies, a growing list of social entrepreneurs has emerged over the last few years to address the preparedness needs of the humanitarian sector.

However, a few examples exist from companies that for the most part are already engaged in relief efforts and have built into their programs activities to address preparedness. This study presents how the business case is built, and its challenges, for pro-bono engagement in disaster preparedness. Then, it provides examples from the logistics and pharmaceutical sector of non-commercial initiatives for disaster preparedness. It discusses how those examples contribute to the key elements of preparedness, and it highlights the risks that companies face through the process of setting up their programs.

## **Building the Business Case for Private Pro-bono Engagement in Preparedness**

The business case is easier to build when it is linked to the core business of the company. This means taking into account how a disaster can impact the way business is carried out internally and externally. Internally, the business case is linked to how it affects employees, infrastructure, and processes. For example, a hurricane may destroy the warehouses, victimize family members of a percentage of employees and/or destroy the main roads of the company's distribution network. Externally, the business case is linked to business continuity, market impact, and reputation. For example, ruptures in the supply chain of essential items that a company needs to produce its main products, as well as ruptures in the company's supply chain of main products. Also consider that the affected population, as a result of the disaster, will consume less of the company's products and services, and develop a certain loyalty to those brands that show solidarity with their distress.

Another challenge for the business case is the lack of baseline data to assess the benefits of being better prepared. Lessons from the humanitarian and public sectors show that better prepared responses have considerable reductions in costs and significant improvements in speed. While these are difficult to calculate, assessments can be done to build the business case for engaging in preparedness efforts. This should be particularly feasible for companies with a track record of response engagement since they can compare operations with and without prior preparedness activities. The case studies discussed in the next section will show how a higher impact can be created for all parties involved by preparing ahead of time.

## Case Studies

### *GlaxoSmithKline Drugs Donation Program<sup>1</sup>*

GlaxoSmithKline, a leading manufacturer of pharmaceuticals, believes that the pharmaceutical industry has a unique and clear purpose in responding to humanitarian need because it has the medicines that are critical to save lives and support recovery following a disaster.

For this reason, the company has created a humanitarian product donation program and is one of the founding members of the Partnership for Quality Medical Donations, an alliance of pharmaceutical companies and humanitarian agencies that encourages best practice in the donation and delivery of medicines.

“Our humanitarian product donation program donated medicines worth £27 million [\$49 million] in 2005 to support relief efforts in almost 100 countries,” says Claire Hitchcock, director, Europe and international community partnerships for GlaxoSmithKline. The program is managed by the firm’s Global Community Partnerships, which is also responsible for health and education programs to support underserved communities. In 2005, its total investment in community projects (including global community partnerships and humanitarian relief efforts) was £380 million, equivalent to 5.6 percent of the company’s pre-tax profits.

### *Private Partner Perspective: Top Management Endorsement*

The Humanitarian Product Donation Program has support from the corporate executive team and is backed by an agreed-on policy for donations. The policy outlines the key principles of GlaxoSmithKline’s approach:

- Involve local general managers (e.g., they must approve any donated product entering their area of responsibility);
- Require that the World Health Organization guidelines on donations be followed;<sup>2</sup>
- Recognize the company’s role in communities that do not have access to medical supplies.

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<sup>1</sup> Excerpt from: R. Tomasini, O. Stapleton, and L. Van Wassenhove, *Corporate Responses to Humanitarian Disasters*. The Conference Board, 2007.

<sup>2</sup> For more information please refer to the following link for the full text of the guidelines: <http://www.reliefweb.int/rw/lib.nsf/db900SID/LHON-66LM6Y?OpenDocument>.

It also provides the Global Community Partnerships team with a mandate to respond to disasters and emergencies. Thus, the GlaxoSmithKline response procedure is coordinated from the top down, involving relevant parts of the business when appropriate.

The program's aim is to donate medicines to charities not only after a disaster has occurred, but also ahead of time so that charities have stocks of medicines in their warehouses, enabling them to develop strategic plans for disaster relief and respond more promptly to emergencies.

### *Humanitarian Perspective*

GlaxoSmithKline runs the program in partnership with five selected nonprofit organizations and relief charities: AmeriCares, Direct Relief, InterChurch Medical Assistance, MAP International, and Project HOPE. These organizations are allowed to choose medicines from GlaxoSmithKline's inventory on a yearly basis to establish a form of pre-positioned disaster response in the regions where they are present.

The company has worked with its five partners for more than 10 years, during which time a high degree of trust and understanding has been achieved. Originally, these organizations were selected on the basis of five strict criteria: First, their expertise and capability in healthcare and in working in impoverished communities; second, for having clear processes in place for tracking and monitoring product donations; third, for their ability to evaluate the impact of a disaster; fourth, for having a good knowledge of the area in which they work; and finally, for their trust. Following a disaster, the company relies on its partners in the field to work with its director of Europe and international community partnerships to provide a rapid and accurate assessment of the situation and what is required.

Usually, the firm knows within hours what medicines it will contribute (e.g., after the Asian tsunami, medicines were released from AmeriCares in less than 48 hours).

### *Interaction with Partners*

For the interaction with the partners, a priority for GlaxoSmithKline is to build a transparent and accountable donation process. The product donation process is managed like the firm's procurement process and has seven basic but irreplaceable steps that partner organizations must adhere to when requesting medical donations:

- Partners are offered medicines from the company inventory (or sometimes GlaxoSmithKline manufactures to order) on an annual basis.
- The order is sent to the company offices in the United States for processing and dispatch.
- It is then dispatched to the partners' regional warehouses, which are equipped with storage, monitoring, and tracking systems.
- When medicines are required, the partners inform the firm where they are being sent and in what quantities, etc.

- The company contacts the general manager of the country where the medicines are being sent.
- The general manager must approve the donations (and the process must be documented) to avoid any conflict with the firm's commercial business.
- The donations are shipped; and the company receives a shipping report showing their destination.

In this way, the donation process has the same level of transparency and accountability as commercial transactions. This ensures that donations are tracked, reach their intended destination, and are dispensed appropriately.

In addition, GlaxoSmithKline's five partners provide the company with quarterly reports outlining where and how the donations have been used. With this level of cooperation from its partners, many of the concerns about the use and destination of the donated pharmaceuticals are removed, thus improving the speed and efficiency of the process.

GlaxoSmithKline has also developed clearly defined internal processes for responding to disasters. The company requires the most senior executive in the affected region to take the lead. Within 24 to 48 hours of a disaster, a teleconference is organized by an internal group to review what is needed. These teleconferences can take place on a daily basis if required. Group members may vary but will always include the regional head of business in the disaster area, a representative from communications, and, when employees are affected, a representative from human resources. The purpose of this group is to ensure efficient communication about the response effort and to make recommendations and proposals for the provision of appropriate aid.

The company's approach avoids supplying a region with medicine that is not needed. For this reason, the level of donations is carefully monitored. Medicines are sent in small amounts as needed rather than accruing stockpiles that may go to waste. Partners on the ground have the expertise to estimate the amounts of medicines required.

#### *Impact of the Product Donation Program*

GlaxoSmithKline's donated products are often some of the first to reach a disaster area. For example, two million doses of antibiotics were shipped within the first week following the Asian tsunami, ensuring that physicians had access to high-quality medicines and helping prevent life-threatening infections that occur in unstable conditions.

The donation program is also a source of employee pride, and following a disaster, the company always informs its employees via intranet of how it has responded. It also uses the intranet to keep them up to date on continuing activities.

Part of the impact of the program includes sharing best practices with other companies. The firm shares its considerable knowledge and expertise in disaster response with other members of the pharmaceutical industry through its participation in the Partnership for Quality Medical

Donations with 13 NGOs and 14 other pharmaceutical and medical equipment manufacturers involved in the donation and delivery of medicines to the developing world.

The Committee on Disaster Response, one of the partnership's standing committees, aims to better coordinate donations across the industry through increased communication. After a disaster, members of this committee are in contact via a teleconference, which enables them to pool information in order to map a global response.

For example, the committee helped partners quickly deploy resources that remained from their response to the Asian tsunami to help victims of the 2006 earthquake in Indonesia. To better coordinate the task and avoid any duplication in donations, one member of the committee took the lead in the donation process.

When appropriate, committee members are also able to provide clear, broad-based information about what the industry as a whole has achieved in the wake of a disaster to partners and other affiliated organizations, such as the Pharmaceutical Research and Manufacturers of America.

In many respects, GlaxoSmithKline's Drugs Donation Program represents international good practice. It is a transparent and accountable program with robust procurement and reporting processes. It supplies its partner organizations on an ongoing basis, not just after disaster hits, thus achieving greater speed and predictability. It works with partners on the ground, who provide needs assessments. It has well developed communication processes and shares information with other relevant partners.

### *Agility Humanitarian and Emergency Logistics Program (HELP) Program<sup>3</sup>*

Agility is a \$6.3 billion publicly traded company with three key business groups—Global Integrated Logistics, Defense & Government Services, and Investments. Its commercial division—Agility Global Integrated Logistics, provides integrated logistics solutions to customers spanning a range of industries that include technology and retail to defense and government, chemicals and oil and gas. Agility Defense & Government Services is their public sector arm that offers comprehensive logistics solutions to various government entities and non-governmental organizations worldwide. Agility Investments utilizes the local insights from Agility's global network to invest in specialized opportunities in emerging markets and comprises of three main business divisions covering Real Estate, Private Equity, and Trade Facilitation. In 2007, Agility reported a 26 percent increase in top line growth with operating profits standing at \$652.466 million for the year.

As part of their Corporate Social Responsibility Program, Agility designed the Humanitarian and Emergency Logistics Program, to bring their expertise in expeditionary logistics in challenging environments to where it is most needed—disaster preparedness and response. It was designed following the company's pro-bono involvement in the relief efforts for the Lebanese Crisis of 2006, and an explicit message from the CEO Tarek Sultan, prior to the cri-

<sup>3</sup> Interviews with Agility senior management and R. Tomasini, M. Hanson, L. Van Wessenhove, "Agility: A Global Logistics Company and a Local Humanitarian Partner." INSEAD Case Study. 2009.

sis, about Agility committing to become a responsible corporate citizen in the countries in which it operates. This program is one of the many ways in which Agility contributes to emergency preparedness by setting up and communicating in advance the conditions and scope of how they can help in the event of a disaster. In itself, it is a way to liaise with humanitarians between disasters to let them know what they can expect ahead of time.

The program's Special Operating Procedures activate responses for disaster affecting over 500,000 people in countries where Agility already has offices and where the security situation cannot be worse than UN code three. They will partner with organizations that spend over 90% on program, and under 10% on administrative costs. The organization has to be one with whom Agility has a previous relationship with. For deployment, Agility has designed a list of equipment that people needed to take (including communications equipment, over the counter medicines, safety gear, life support equipment, etc.) They also developed waivers for volunteers to sign before heading to the field. Human resources issues are very challenging in the international environment, but Agility has worked to develop common standards to help employees manage expectations in field level work. The program is supported by training for the staff which includes first aid, humanitarian landscape, humanitarian ethics, etc. The training requirements were developed in concert with humanitarian organizations and the training material was prepared by humanitarians and commercial professionals that work in the humanitarian space.

#### *Initiating the Program: Humanitarian Perspective*

Agility operates in countries and areas where the humanitarian community is present and active (emerging markets). In fact, Agility holds several commercial contracts with major humanitarian actors, such as different UN agencies. The combinations mean that Agility not only understands the humanitarian sector and its needs, but also that it can provide local knowledge and support through its presence and staff where an emergency may require it. At the same time, Agility has fairly close relations with the Red Cross and Red Crescent Societies.

Requests to get involved in humanitarian operations are led by employees who are aware of the needs and the potential value added a contribution from Agility would provide and raise the opportunities to their upper management's attention. An example was the Lebanese crisis of 2006, in which the Israeli Air Force bombed critical infrastructure in response to the capture of two Israeli soldiers by Hezbollah.

As soon as the crisis broke out, a flood of emails came to the Head of Corporate Social Responsibility's desk, from employees eager to assist in responding to the crisis. Many had friends, relatives, or acquaintances in the area. They wanted to help, and given the CEO's recent corporate social responsibility mission statement, they wanted to know what the company was going to do. For Agility's employees in the region, the crisis hit very close to home. They expected that Agility would want to support the humanitarian relief effort. Agility had approximately 120 employees in Lebanon. At least seven had lost their homes during the attacks. Some clients had lost entire warehouses or stopped working altogether. These inquiries helped fuel the decision to 'get involved.'

*Interaction with Partners*

Agility leverages its relationship with humanitarian agencies, including the Red Cross and the Red Crescent movement, the UN and local NGOs in the countries it is present, to express in advance their goodwill and define the scope of their pro-bono engagement. For example in the case of Lebanon, a group of Agility staff were immediately mobilized to the Lebanese-Syrian border making themselves available to the request of their humanitarian partners (primarily the Red Crescent Societies). Agility has also deployed staff to Indonesia for a planned training exercise with the World Food Program; sent logisticians to teach a humanitarian logistics curriculum in India; and has worked with agencies to provide donated logistics services for ongoing programs in Iraq and other locations.

As in all the cases, humanitarian agencies in Lebanon were in the lead defining their operational needs: warehousing and transportation. They expressed their needs to the Agility team who subsequently defined how they could contribute for free to those needs with their skilled staff, knowledge of the local market, and regional presence.

For the Lebanese crisis, the interaction with the humanitarian sector was a partnership from the get go. Agility executives had already met with officials from the Kuwaiti Red Crescent to share their intentions about helping with relief efforts on a pro-bono basis. This has become standard operating procedure with the program. Agility openly communicates its activation criteria to the humanitarians and seeks to be in constant dialogue with them in countries where they are present to anticipate any potential collaboration.

In Lebanon, the corporate social responsibility team was made up of staff with ample experience and contacts in the humanitarian sector including team leader and current Vice-President of Enterprise Communications and Corporate Social Responsibility Mariam Al Foudery, and the Humanitarian and Emergency Logistics Program Senior Manager Frank Clary.

Initial concerns about working together were mostly based around the deteriorating security conditions in Lebanon. Agility relied on their security experts and constant dialogue with the Red Cross and Red Crescent Societies, as well as the UN to assess the situation. Agility's staff in Lebanon helped, as well providing updates for those waiting on the Lebanese-Syrian border.

*Commercial vs. Pro-bono Engagement*

As mentioned earlier, Agility also holds commercial contracts with several humanitarian agencies and has been present on commercial terms in many of the areas where humanitarians operate.

To avoid any confusion between the pro-bono and commercial engagement, Agility has developed several rules that prevent confusion. For example, corporate social responsibility is separated from the business groups and reports to the "strategy" side of the organization through the Chief Strategy Officer. Employees involved in a philanthropic disaster response operation are isolated as much as possible from doing commercial work, they become temporarily deployed to the "volunteer" effort for a period of time. The humanitarian Program Manager will never be running a commercial and humanitarian operation in the same affected



area. Reporting of commercial and pro-bono activities is kept separate at all times. If the humanitarian team gets a commercial inquiry, it goes on to Business Development without any involvement from the team in the details of contract awards at all, except to the extent that of providing Agility colleagues with information on the corporate social responsibility program.

### *Impact*

In 2008, Agility's corporate social responsibility team led 120 projects in 45 countries reaching 280,000 people on the ground, with 15 percent of Agility's global workforce volunteering. Some examples:

- Global volunteer month (May): 30 countries implementing community projects open to all employees.
- Myanmar: first cross-company (TNT and UPS under the coordination of the World Economic Forum) deployment with the UN and NGOs ever. Agility providing valuable logistics expertise, information on the ground, and services to humanitarian community.
- China earthquake: local employees mobilized \$50,000 for Chinese Red Cross in under a week. Planning on doing longer-term rehabilitation projects as well once the immediate emergency phase is over.
- Iraq: totally rebuilt and refurbished a school for 400 students near Um Qasr.
- Trained Agility volunteers and teams in Singapore, Thailand, Indonesia, Germany and Switzerland to improve its capability & readiness to deploy volunteers into the field for disaster relief operations.

The benefits for Agility can be listed under different perspectives: people, operations, and reputation/brand. From a people perspective, corporate social responsibility in general helps to forge the company culture. At a time when Agility is trying to get people to "live the brand" through personal service, it helps to show tangible examples of their values in action. It promotes leadership in the company—because anyone can take the opportunity to lead and "own" a community project. Everyone from a receptionist in Australia to a Senior Vice President in Houston can be acting as the local corporate social responsibility coordinator. It creates pride, and motivates people.

From an operational perspective, it fosters teamwork and new internal relationships, as people from different business groups and localities work together to make a meaningful difference. It teaches people to move quickly, act effectively, and think collaboratively—disaster response logistics in particular is very operationally demanding, and the people that get involved are better positioned to serve their own customers in commercial operations after that.

From a reputation/brand perspective, it builds a global brand and gives them an opportunity to do it "right"—corporate social responsibility is considered a positive association. It is also an

opportunity to work closely with the world's logistics leaders in this space—DHL, UPS, and TNT.

Agility evaluates its operations in a formal and informal sense. Formally, partners are requested to sign off on operations completion to ensure scope requirements have been satisfied. Operations and projects are evaluated internally to determine if they were successful given the ground rules or memorandums of understanding between Agility and its partners. Employees are requested to provide feedback and deployers may be asked to prepare case studies so lessons learned can be disseminated. Informally, Agility continues to develop the program through querying partners on the efficacy of the program and issues that may have arisen during the projects. The evaluative process has proven effective by improving how Agility recruits its volunteers, sets expectations with humanitarian organizations, manages scope issues and improves communication. Each project results in opportunities to improve the overall Humanitarian and Emergency Logistics Program. For example, “telling the story” has improved as a result of operations in Myanmar. Operations personnel may focus on cargo volumes handled or moved, but this information has limited value for engaging employees in volunteerism. So Agility adjusted its communications strategy to ensure that information from the field will present a different picture of the employee volunteer and include more experiential data (what are the living conditions, how is the team performing, does the team member value the work, is there an indication of the work being valued, etc.).

Agility's experiences with this program highlight the need for pre-planning and the building of partnerships in preparation for disaster response. By having the core aspects of their partnerships in place prior to a response (specifically understanding scope of responsibility and contribution on both sides) Agility and its partners are able to ensure that their response activities are efficient and effective and that any lessons learned can be gathered and applied in the future. This case also shows the importance of preparing, in advance, employees for working on CSR initiatives and creating work streams and measures that ensure these activities are separate from the commercial and thus in line with humanitarian principles.

### ***TNT: Transferring Knowledge for South Sudan<sup>4</sup>***

#### *Humanitarian Perspective*

In anticipation of the signing of a peace agreement in South Sudan, the United Nations Joint Logistics Center was deployed in 2004 to coordinate the logistics efforts of the humanitarian community. South Sudan, Africa's longest standing battlefield, had been completely destroyed over the previous 20 years due to the fighting.

Throughout the war, several millions of people had left South Sudan. A portion of them had sought refuge in the neighboring countries and would be expected to return to South Sudan. Another portion had settled in the outskirts of the northern capital, Khartoum, in camps for internally displaced people. Uncertainty reigned during the planning stage in regards to how

<sup>4</sup> This mini case is inspired by: R. Tomasini, and L. Van Wassenhove, “Moving the World—Transport Optimisation for South Sudan.” INSEAD Case Study No. 5363.

many people would actually return to South Sudan following the signing of the peace agreement. It was also uncertain when they would go, where they would settle, what they would take along, and what they would need upon arrival to establish their new life. The only thing that was certain was that a response would require the support of all the humanitarian agencies, a lot of coordination, and substantial ramp-up of help. Despite all the uncertainties, it was clear that the magnitude and the deficiencies of the area would drive up the cost and amount to a very expensive operation in a country that already demanded one of the highest levels of spending in the humanitarian system.

Conscious of the funding constraints the humanitarian agencies began to prepare to support the returnees upon signing of the peace agreement. To assess the logistic needs of the areas, the logistics center led a visit to South Sudan with staff from World Food Program and UNICEF. The visit was aimed to assess the roads, airfields, waterways, and warehousing capacity of South Sudan. The ultimate goals were to assess how much investment would be needed to launch an assistance program for all the people returning to the area after the peace agreement.

#### *Private Sector Perspective*

TNT is a world-leading provider of express delivery services and logistics that employs over 75,000 people in 200 countries. It operates 26,000 road vehicles and 47 jet freighter aircraft while managing a network of 2,300 depots. Since 2002, TNT has been an active partner of the World Food Program, the world's largest humanitarian aid agency.

Since 2002, TNT has committed its knowledge, skills, and resources to support the World Food Program in its life saving effort. TNT has invested €38 million in the partnership in the form of hands-on support in emergencies, knowledge transfer projects to help the World Food Program to be more efficient and effective, and advocacy and fundraising activities. On top of this, TNT employees have raised an additional €9 million for the World Food Program's School Feeding Projects.<sup>5</sup>

The logistics centre works closely together with the World Food Program and the two organizations are closely linked on logistics issues for disaster relief. Former UN Joint Logistics Centre Chief Adrian Van der Knaap contacted TNT to express his concern and solicit their advice. He explained that the main concern for South Sudan was the high cost of transportation and that they needed to find a way to reduce it with minimal investment. At the time of his request, road access to South Sudan was very poor with most roads unpaved, some in very poor conditions, and large sections completely blocked during the long and very active rainy season. Access by water was limited to the Nile River, which was difficult to navigate with strong currents. The levels also varied significantly during the rainy and dry seasons, and even in places where access was possible, the infrastructure to receive barges was very poor. Train tracks were not an option as they had been interrupted during the conflict. Therefore the only viable option for accessing South Sudan was by air. Airstrips were often rudimentary and sparse, and aircrafts had to bring sufficient fuel for their roundtrip as there was none available in the area. Consequently, the transportation costs were very high and unsustainable if the

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<sup>5</sup> <http://www.movingtheworld.org>.

humanitarian agencies had to scale up their operations as expected after the signing of the peace agreement.

On behalf of TNT, the former Joint Supply Chain Initiative Leader led the collaboration with two second TNT staff with specialized knowledge on modeling and transportation networks to help the humanitarian agencies assess the best options for distribution. The decision to provide pro-bono assistance came following several discussions with the centre about the need to lower transportation costs in South Sudan and the different options to do so. TNT leaned on their experience solving similar questions for their commercial clients to identify if and how they could help the UN meet their goal and to define internally the project and profile of the people that would be engaged in the collaboration.

TNT seconded two of their staff to form a team for this mission. They were asked to review all the logistics information for South Sudan and to develop a computer based tool that would calculate the cost of transportation to different points in South Sudan given the infrastructure and a number of constraints.

#### *Interaction with Partners*

The TNT consultants carried out their mission through a series of three visits to Sudan and Kenya where they could meet face to face with the different relevant actors to gather information, validate data, check their assumptions, design and test their model.

During the first visit they met with actors from the different humanitarian agencies to gather data and understand the context in which decisions were made. In their second visit they validated the data they had gathered the first time and made requests to the agencies to fill in gaps of information that they had noticed. In their third visit they finalized their assumptions, and presented the beta version of a tool they had designed for feedback. The beta version would undergo numerous revisions before being finalized, all of which was done by integrating the feedback from the different humanitarian agencies that provided input, including the United Nations Joint Logistics Center, UNICEF, and the World Food Program.

#### *Impact*

The final output was a tool that helps humanitarian agencies to visualize the different options in South Sudan's distribution network, and calculate their cost implications prior to the roll out of a response operation. While it is difficult to assess the direct impact the tool has on the response it is clear from the discussion that it has a positive and significant impact on the planning and preparedness process. The tool had an added benefit in that it helped to calculate the impact investments would have in the distribution network. For example, if a bridge was repaired or the quality of a road was improved the tool would consider these changes and calculate the impact on the overall cost. These calculations proved to be useful in deciding where to invest to have the highest impact on the overall cost when reconstruction efforts were underway (i.e., repairing bridge number one will only bring about a cost or time reduction of ten percent versus repair of bridge number two which will bring a reduction of twelve per-

cent). The end result was that the humanitarian actors had a free tool designed by leading practitioners from the private sector to improve their ability to respond. The principles of this tool have been adapted by both parties to support planning and responses in sudden onset disasters and to determine priorities for reconstruction. However, the tool is only a quantitative instrument in a sector where decisions consider qualitative factors with great attention.

## Key Elements of Preparedness<sup>6</sup>

Preparedness, from an organizational perspective, is a function of five key elements: finance, logistics, human resources, knowledge management, and community relations.<sup>7</sup> The three case studies discussed earlier consider each one of these carefully when determining how value will be created for the humanitarian partner.

For example, in finance Agility, TNT and GlaxoSmithKline identified the cost implications of their programs and communicated publicly the extent of their financial engagement. Similarly, they allocated the funds internally and developed a clear process to mobilize them when the needs arise. This also includes having in place a system that engages employees and customers who can participate financially through fundraising initiatives. Having a clear plan that details when funds will be needed, who authorizes them, how they will be sourced, how they will be tracked and reported is essential to prepare for a disaster response. This not only reduces delays, but also reduces the likelihood of any confusions or misunderstandings concerning the use of funds. Part of being well prepared is also anticipating how to explain how the funds were used.

For logistics, all companies defined ahead of time their terms of engagement defining what they will do for free and to what extent. GlaxoSmithKline makes it clear to their partners how to solicit drugs and how they will be delivered. Agility also defines what kinds of services they can provide and for how long. TNT defined the length of their engagement for their mission in South Sudan and the number of trips they would make to fulfill their task. The combination of these helps the humanitarians assess the ramifications of accepting the aid and how much additional work it can create. The worst case scenario is to have donations without logistical support that create a heavy burden to the humanitarian organizations receiving it.

In terms of human resources, the companies examined here assessed the skills that they can contribute to a response and identified them internally to keep them on stand by. They put in place a process that allows those people to be released from their commercial responsibilities when they are needed. They have also established and communicated internally procedures to engage volunteers, for some tasks this includes training them. As for training, companies can also help to increase preparedness by transferring their skills sets to NGOs. There are several examples of companies that second their staff to humanitarian agencies or make their training available to humanitarian staff. For example, some of the leading strategy consultant groups (i.e., Boston Consulting Group, Booz & Co, Accenture, McKinsey) have been known to second their consultants to NGOs and the United Nations on specific humanitarian missions on

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<sup>6</sup> See R. Tomasini, L. Van Wassenhove, *Humanitarian Logistics* (London: Palgrave, 2009).

<sup>7</sup> See B. Chomilier, R. Samii, L.N. Van Wassenhove, "The Central Role of Supply Chain Management at the IFRC," *Forced Migration Review* 18, pp. 15–18 (2003).

a pro-bono basis. These consultants have conducted feasibility studies for major projects in the humanitarian sector, have helped to reorganize departments, analyze internal costs and processes, assist in the implementation of new systems, etc. Like them, other companies like logistics industry leader TNT and French multinational Veolia, have opened their in-house training opportunities to staff from the humanitarian sector to acquire some of the skills and best practices from the private sector that could help to improve a response.

Preparedness is a long term commitment for all the parties involved. Knowledge management is there to highlight that, by capturing the lessons learned from one event, onto the next. This is particularly important for initiatives that have high staff turnover. The humanitarian sector is strongly affected by staff turnover, with people leaving organizations frequently or simply moving from one disaster to another. For the private sector staff turnover is less of an issue, however still relevant considering that in many cases the employees involved as volunteers are not the same from one pro-bono project to another. To address this issue, companies have created small teams that ensure the continuity of learning from one event to another and they have also put in place a process to capture the tacit knowledge of the volunteers with narratives, seminars, and the revision of procedures and regulations.

Community relations are another key element of preparedness that requires proactive investment. In its simplest form this means getting to know the humanitarian agencies that would be involved in a response in the areas that concern the company's operations. Building relationships in advance enables both parties to understand what the needs of each party are, how the other can contribute to those needs, anticipate any potential conflict of interests and risks before they arise, develop trust, and good personal contacts that are much needed in times of disasters when time is a scarce resource. This requires as much investment from the private sector as it does from humanitarians who must be receptive and ready to invest in building relations with the companies interesting in helping. For humanitarians, this is frequently an issue of limited resources (i.e. staff and time), though there is a rising trend among NGO and UN agencies to dedicate private sector liaison offices to handle and channel this type of request.

### *Risks and Recommendations*<sup>8</sup>

The three cases discussed earlier provide examples of different types of engagements between the private and the humanitarian sector to improve their disaster response capacity and capabilities. The cases also show how partners deal with risks inherent in the engagement process.

The dominant risk is a "lack of mutual understanding" between the two sectors. Each sector is driven by different sets of objectives, actors, and speed. The lack of profit incentive in the humanitarian sector raises a set of coordination issues foreign to the private sector model that demark the difference between the two. To better understand each other, the examples discussed earlier highlight the importance of dialogue through the engagement process and secondments in both directions. None of the organizations mentioned expected to develop a part-

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<sup>8</sup> Tomasini and Van Wassenhove, 2009, op. cit.

nership overnight and placed significant value in the process of getting to know each other. Dialogue, rather than negotiations, allowed each party to suspend their pre-conceived ideas and judgments to enter into their partners' world and find common grounds and language. Much of this mutual understanding was achieved through secondments and joint trainings. These secondments allowed staff to assume the role of staff in their partner organization to better understand the processes, actors and pressures that play a role in the decision-making. Post-secondment dialogue helped to highlight the differences, capture the best practices from each organization, and adapt accordingly.

The second prevailing risk is "expectations" in terms of contribution and attribution. Lacking a good understanding of their partners at times made it hard for both parties to understand their role and their impact in the collaboration. In terms of contribution, in some cases the humanitarian agencies overestimated the capacity of their private partners to contribute resources to their cause. Similarly, the private sector overestimated the direct impact of their contribution to the causes of their humanitarian partners. Subsequently, there is a risk that each party publicly attributes themselves an impact higher than reality. To address this risk, partners agree on common key performance indicators ahead of time to have a common understanding on how they contribute to each others' cause. They also agree in advance to communicate together their achievements, and the style of the message. This avoids situations where companies may come off to the press looking like they save the world on their own, or situations where the press may underplay the support of the private sector to the humanitarian agencies.

Third is the "degree of commitment" in times of need. This risk, as perceived by the NGOs, is pertinent to the response of lesser known crises where the private partners may not benefit from media exposure. It also deals with crises in regions that may not be of strategic business interest to the private partner, yet of high priority to the NGOs. The GlaxoSmithKline example addresses this risk by making explicit ahead of time the quantity and type of donations that will be committed annually, and allows the NGOs partners to activate the program so that it is completely needs-driven. Similarly, Agility makes explicit their criteria for engagement, for instance what kind of disaster they will attend to, and the type of contribution they can provide.

Each of these risks discussed above can be addressed by the companies and humanitarian organizations in the partnering process. Public donors can support partnerships between companies and humanitarian organizations through different programs and initiatives (see next section). Governments can for example play a role by funding the secondment of staff from one sector to another. This practice is already in place by some donors that recognize the importance of transferring best practices through personnel exchanges and in situ projects. They result in a better level of understanding and improved communication.

In terms of expectations, donors have a long history of discussing this topic with humanitarian agencies (implementing partners). Donors can provide their experience to the dialogue between the private companies and the humanitarians, and help either party financially or logistically to meet the expectations of their partner wherever their means may be limited to achieve the desired outcome.

However, donors should not influence the destination of funds and aid from the private sector. Instead they should highlight the prevailing needs of areas of the world private sector support could be made available. If a company chooses to address them, public donors can stimulate that process by providing diplomatic support in the recipient countries to facilitate the donation process, and assist with additional local knowledge.

## Conclusions

To date there been little in the way of donor-business engagement in disaster preparedness and while there are clearly some risks associated with these types of initiatives, as outlined above, they are easily mitigated. Further, given the positive impact business engagement can have, as seen in the examples, this is an area of engagement that merits further examination by donors. There are many areas in which companies can contribute to preparedness that do not have a direct link to profitability, hence non-commercial engagement should be promoted as a priority by both donor and recipient nations' governments.

### *Support by Public Donors*

As discussed earlier there are different ways in which donors can help to promote preparedness initiatives from the private sector on a non-commercial basis. Among them we suggest the following for discussion:

*Risk reduction programs:* Public donors may start by building an awareness of the risks and inviting companies to take actions in the reduction of these risks and helping them understand that risk is shared among all parties. Similar initiatives have proven successful in the area of environmental management for which governments have invested resources to help companies to adapt their practices to lower their impact, and in some cases, improve the environment. For disaster preparedness this may start with initiatives as simple as asking companies to conduct their own risk analysis, jointly analyze the drivers of these risks, and set priorities for their reduction. In some cases this may mean using less of one material, or improving telecommunications, or simply complying with mandatory building and fire department codes.

*Participatory programs:* Through dialogue with the private sector, governments can communicate their own perception of risks and explain how they are equipped to react to it. They can invite companies to contribute to shortcomings or to enhance available resources with their knowledge and capacity. Some companies may simply participate with funds, while others may volunteer their staff and or their assets as the previously discussed examples show. By communicating an analysis of this type, it should be easier for the private sector to understand how and where they can add value. The key point in either case is establishing an open dialogue that bridges both sectors. Collaboration may require adaptation as the needs of the public sector and the resources from the private sector may not have a natural fit at first. Both parties need to be open for discussion and negotiation to define well, and in advance, the terms of engagement.

*Matching grants:* Are ways in which donors can attract products and services that they need to respond by augmenting their impact through parallel funding. This would be particularly



relevant for specific needs that need to be addressed in great numbers. Matching grants have a multiplier effect by giving the incentive of raising the impact of donations. In most cases this is applied to cash donations. Governments can also act as the brokers between foundations that do the matching, and the companies donating.

*Tax incentives:* Governments can also set up tax incentives for companies that can show that they are engaging in preparedness efforts on a non-commercial basis. These tax incentives would need to be attached to specific preparedness priorities pre-defined by the governments to ensure that efforts from the private sector contribute directly to the highest needs.

Overall, these suggestions need to be adapted to the different types of disasters. Some of them may be easier to adapt for areas threatened by cyclical disasters as it is easier to predict their occurrence. Finally, preparedness should not only been framed as a means to respond, but as a mean to increase resilience, a common goal shared by governments, businesses, and society for continuity.

