



## Insights from The Clarion Institute A Breach in the Levee

### The Changing Role of Corporate Responsibility

By Roy Maurer and the Advisors of The Clarion Group

#### Now We Know

Now we know: the sprawling New Orleans levee system was never built to withstand storms in excess of Category 3 hurricanes.

There has been and will continue to be much critiquing in months to come of the responsiveness and preparedness of various public and private institutions. This needs to happen, and done constructively with positive intent and a view to the future, we will be stronger for it. However, the purpose here is not to critique. The purpose here is to raise our collective awareness to another hard reality: that Katrina breached not just one levee system, but two.

The second levee was the one that we know as "corporate responsibility." We learned that our programs of directed giving, corporate foundations, executive and employee volunteerism, and community involvement were no more built to withstand the likes of Katrina than were the physical levees of New Orleans. Yet, while government and public institutions faltered, private corporations took the lead in disaster relief. Tired and thirsty people gratefully accepted the first bottle of water that was trucked into the beleaguered city by Wal-Mart, while FedEx helped restore communications. Employees at retail establishments salvaged goods and then distributed them to citizens. All this was a far cry from submitting a grant proposal to a corporate foundation to fund a program for the arts; this was in-the-moment, hand-to-hand, life-and-death. Like it or not, Katrina pushed the role of corporate responsibility to center stage, and it will never be the same again.

#### We Are Different Already

In response to Katrina, companies sent their own trucks driven by their own employees loaded with emergency supplies directly into New Orleans. A mattress store became a makeshift shelter for the homeless. Corporations tracked down employees, helped them relocate, and extended salaries, loans, grants, and guaranteed jobs in alternative locations. Businesses relaxed payment standards, reduced rates, and offered cash advances and low interest rates. Far distant companies internally organized volunteer efforts to support the relocation of relatives of their employees.

By these actions, we are different already. In the aftermath of Katrina, we were not employees or executives; we were neighbors; not agents, but friends. Corporate America became part of the spontaneous rescue team, driving into the storm. The question now is, will employers and employees forget this event and revert back to the old "nice-to-have" version of corporate responsibility? It's probably not even possible, as we shall see.

#### Not If, But When

There is a strong inclination in human nature to forget past lessons and repeat our mistakes. Disasters will happen again...and not just in Indonesia, Pakistan, or Guatemala, but here in America. Other catastrophic disasters are sitting in the wings, any of which could wreak havoc from sea to shining sea. A few examples:

- The National Hurricane Center predicts that we are in a natural cycle of intense

hurricane activity that will last another 10 to 20 years.

- A major earthquake in San Francisco would cause even more massive destruction and loss of life. Damage to the city's bridges would make evacuation virtually impossible and recovery at best a logistical nightmare.
- Lest anyone who lives far from geological hot zones feel smug and safe, consider the threat posed by H5N1, the lethal form of the Asian bird flu virus that so far has killed about 50% of those infected.

This is but a short list of potential disasters, but more than enough to drive the point home: the likelihood of another Katrina-scale disaster, natural or otherwise, is best described as “not if, but when.”

### No Line in the Sand

Emergency humanitarian aid is of such a compelling nature as to set aside considerations of who are the recipients and what are the costs. Business leaders must seek out the appropriate level of participation in the general rebuilding, while still balancing the demands of a number of stakeholders. In the wake of Katrina, the list of stakeholders has multiplied. It now includes: investors and shareholders, board members, employees, outsourced and contracted services, specialized suppliers, strategic partnerships, distributors, transportation infrastructure, brokers and intermediaries, customers, media, basic public services, community human services, regulatory bodies, public health officials, and more.

It is difficult to differentiate between corporate actions that are investing in the business's profitability and actions that are simple generosity; the recovery of the infrastructure is essential to the profitability of every company. Looking forward, corporations must answer hard questions. Where

will they draw their lines in the sand? What contribution of shareholder assets is appropriate to help with the rebuilding of a city? What level of contribution is necessary to ensure that the business can continue to function? What level of corporate generosity is appropriate?

### The Shape of Things to Come

The need to look ahead is urgent. Katrina has given us a glimpse of just how poorly prepared we are.

In the face of the unknown, one powerful planning aid is Scenario Planning, a tool used by both private and public institutions to expand thinking around decisions that involve complex, future courses of action. It is particularly helpful in imagining dramatic leaps of change-potential risks or unseen opportunities that may lie outside the perspective of typical incremental planning approaches. It forces the question: "What if the world were different than the one we know today?"

We have seen the continuum of stakeholders along which corporate responsibility must be shaped. Scenario Planning offers a second continuum that runs from past to future and from reactive to proactive. It looks like this:

#### *Reactive*

- Emergency Evacuation and Assistance: after the fact
- Disaster recovery efforts (i.e., New Orleans's infrastructure): after the fact

#### *Reactive and Proactive mixed*

- Emergency Evacuation preparedness: planning for immediate humanitarian aid when disaster strikes again
- Disaster recovery preparedness: learning how to rebuild basic infrastructures
- Longer term economic redevelopment: beyond basic infrastructure, investing in rebuilding the economy

## Continuum for Catastrophic Scenario Planning

Stakeholders \ Perspective	Investors & Shareholders	Board Members	Employees	Outsourced & Contracted Services	Specialized Suppliers Critical to Producing Goods for Sale	Generic Suppliers Critical to Sustaining Business Operations	Strategic Partnerships	Distributor, Transporters	Transportation Infrastructure	Brokers, Intermediaries, Wholesalers	Customers	Media, Including Advertisers	Basic Public Services	Community Human Services	Regulatory Bodies, Public Health Officials	
	Reactive	Reactive & Proactive Mixed	Proactive													

**Proactive**

- Reducing the risk of exposure to future disasters: identifying and avoiding high risk locations and high risk activities
- Preventing future disasters: building smart, participating in business and economic activities that support barriers to natural disaster

Here are some examples of difficult questions scenario planning might advance:

- Is it responsible for a company to return to New Orleans or would stakeholders be better served if the organization went somewhere "safer"?
- Is it responsible for a company to return to New Orleans without an effective evacuation plan in place for its employees and their families?
- Will stakeholders continue to accept economic losses of future disasters as a cost of doing business?

It's even more of a leap into the unknown if we consider the scenario of a global flu pandemic. For example:

- How do companies conduct business if travel stops, workers stay home, shoppers don't shop, schools close, hospitals are quarantined?
- If the workplace is hit with the flu, would all employees be quarantined on site? Would others be restricted from entering the facility?
- Can we require employees to perform essential services at work, and what criteria would we use in a pandemic?

Recognize that even this level of planning, heroic as it appears, falls far short. Being really good at reacting to disaster is not sufficiently responsible – not if the disaster could have been prevented in the first place. Every corporation, in addition to doing disaster planning, will have to consider what its role will be in prevention.

**Leading the Charge**

Mayor Capitano of Kenner, Louisiana, posed the question on Public Television shortly following Katrina: How is it that Wal-Mart was able to deliver truck loads of water and supplies into New Orleans when our military and government agencies could not? And how is it that Home Depot mobilized four days before the storm and some two thirds of their stores in Katrina's path reopened the day after? Or that FedEx, working with the 82<sup>nd</sup> Airborne Division, repaired its communications tower on top of a 54-story building in downtown New Orleans to restore emergency rescue communications?

The private enterprise sector is a huge reservoir of talent. And these can-do companies know how to get things done. But how can we integrate their capabilities with each other and with other contributors? Fortunately, corporate infrastructure has become quite permeable; there are existing patterns of interdependency with external partners; and there is openness to new forms of partnership.

So there is capability and means. And beyond that there is responsibility. Our free market thinking has led us to push for privatization, for letting the economic mechanisms

of a free market economy drive competition, innovation, and improvement. Along these lines, many businesses have devoted their efforts to producing a service or product that is essential. And many have succeeded in weaving their value-added into the daily life of a large number of customers. This is good for the sustainability of the business, and for customer loyalty; we are now dependent on the products and services of for-profit corporations. What is different now is that corporate leaders are recognizing the moral obligation that comes along with their success.

## If Not Us, Who?

Some day we may look back on Katrina as a day that changed corporate America.

When a disaster like this takes place, our human consciousness is changed in ways we may not recognize at first. It is a turning point, or a tipping point, where seemingly small events take on a significance that eventually leads to change beyond normal measure. Katrina has left corporate America with a great responsibility, but at the same time, a great opportunity.

### A Natural Solution

It turns out that the natural buffers of wetlands along the Gulf coast have been eroded over the past 75 years by human engineering. It is said the Louisiana coast is the fastest disappearing landmass on earth. What feeds the delta are the periodic flood waters of the Mississippi that dump silt and mud here and there as the river winds along its way into the Gulf. Because of the need for a major port in the oil rich region, the river is dredged and dykes are built to keep the shipping channel clear. For years, the natural movement of mud that would have buffered Katrina's destruction has been diverted in the interests of profitable commerce. In the midst of this precarious design of human engineering, a city was allowed to build below the levees.

In this light, the argument will be made that it is irresponsible to contemplate the redevelopment of New Orleans without addressing the natural environment in which it lies. There is a scenario in which the interests of environmentalists and the interests of business might well be aligned. For it is not just the aesthetics of a natural habitat at risk, but the future preservation of private reinvestment dollars. If there is a way to navigate the Mississippi for commercial purposes and also allow river currents to re-create the Gulf's natural wetlands buffer, the investment would lessen the threat of future risks. In fact, without some such reassuring solution, corporate boards may well decide not to rebuild. Once again, helping others is helping oneself; the line between public and private is blurred. It is not too farfetched to envision a common purpose and a common effort across the full spectrum of stakeholders.

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