Rethinking the private sector's role in disaster relief

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Natural disasters have filled the news in recent months, occurring so frequently that they seem to intimate apocalypse: wildfires, earthquakes, hurricanes. But as national and international media coverage of these events recedes, the local effects persist—often for years.

Small businesses, which account for the vast majority of enterprises in the U.S. and employ half of the private-sector workforce, are particularly vulnerable when disaster strikes. Unlike large businesses, they often do not have the resources to complete effective contingency plans; nor are they eligible for relief that targets individual households. As a result, almost 40 percent of small enterprises in the U.S. shutter in the wake of shock.

A new report out of the Yale Center for Business and the Environment explores how the private sector, with its nimbleness and operations expertise, can support small businesses after disaster, supplementing the traditional model built on government, nonprofit, and international agencies.

As global damages from disaster continue apace—currently pegged between $250-300 billion per year—this report offers a new approach to relief that draws on latent potential in the private sector. The authors also provide guidance to help companies step into this role.

Specifically:

- Explore ways to ensure that you will continue to provide your goods and services to small businesses if a natural disaster strikes.

- If you are a finance institution, consider ways to support small businesses after crisis through benefits like delayed loan repayment.

- Survey the products and services your organization offers, whether a good (clothing) or a financial product (a loan), and look to see whether any of these can be adapted in real-time to the needs of users after a disaster.

- Prior to disaster, partner with organizations that can support small businesses after disasters—for example, a group that offers mobile internet connectivity until local service has been restored.

- After a disaster, consider offering short-term supplier credit to small businesses in your supply chain to help them survive.

"As disasters become more damaging and costly, traditional methods of financial assistance are often slow to arrive and insufficient to meet the vast recovery needs," says Laura Hammett, a coauthor of the report and recent graduate of the Yale School of Forestry and Environmental Studies (F&ES). "We wanted to explore new ways that private entities can engage in community disaster recovery to catalyze prolonged local resilience."

While standard relief efforts should not be abandoned, the report describes how existing companies can leverage their extensive resources—their products, services, human capital, client base, supply chains, and footprints—to help bolster local infrastructure and economies post-disaster.

"Companies rely on healthy markets to sell their products and services.

If they use their expertise and resources to creatively help restart these markets, there is an opportunity for them to do well while doing good," says Katy Mixter, the report's second coauthor and a graduate of both F&ES and the Yale School of Management. "For example, companies can benefit from continued sales, strengthened customer/supplier loyalty, enhanced brand reputation, and valuable experience that can push the capabilities of the organization, spurring new internal innovation."

More information: cbey.yale.edu/programs-researc … st-disaster-recovery

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