

Chapter 3

Mitigating the Impact of Extreme Events: A Private Sector Perspective on the Value of Public Private Partnerships

Doaa Taha
GMI, Ltd., USA

ABSTRACT

Years have gone by since 9/11/2001. Still, it seems as though it were only yesterday: the shock, the tragedy, the heartbreak. Of all the questions, one keeps coming back, “Have we learned what we need to know to mitigate the impact of such events in the future?” The answer is a hesitant “Perhaps.” Today, still dealing with an economic disaster the magnitude of which has not been experienced in decades, there is great concern that any gains made from lessons learned by 9/11 will be further eroded. In this chapter, original research considering four corporations directly involved in the September 11 attacks is revisited in view of today’s emphasis on public private partnerships and economic environment. In reexamining the original research, this chapter considers the value of public private partnerships as part of the emergency management community, and as part of an effective response to future incidents.

INTRODUCTION

Since 9/11 the long-term economic and social impacts of “extreme events” on the private sector have been the object of an incredible amount of research. However, there is still a lack of rigorous, quantitative information and descriptive models about the impacts of extreme events and large-scale disasters across the corporate organizational level. For example, research related to business (economic) impacts of disasters is often limited to

specific events of a singular nature. The research presented here originally aimed at capturing the current state of emergency management (circa 2004) in order to expand the body of knowledge and facilitate the development of best practices in emergency management across corporations. The importance of developing these best practices cannot be understated. With the global economic downturn, the development and integration of these best practices into mainstream daily business operations is critical. One solution to dealing with

DOI: 10.4018/978-1-4666-8159-0.ch003

Mitigating the Impact of Extreme Events

a bad economy is to partner with like organizations and organizations that can provide complimentary goods and services. Through these partnerships any single company can maximize the allocation and utilization of their own scarce resources.

Years after the fact the numbers from 9/11 are still staggering, even without normalization or adjustment for inflation. The insured property losses directly suffered during the September 11, 2001 attacks against the WTC are greater than the combined insured losses resulting from Hurricanes Hugo and Andrew and the Loma Prieta and Northridge earthquakes (Murphy, 2001). The two World Trade Center towers alone housed 435 companies employing 40,000 people. Including the WTC and surrounding area, the attacks displaced over 45,000 workers in the financial industry. 108,500 jobs were lost as a direct consequence of the attacks and 13.4 million square feet of office space were destroyed. In October 2001, 3,500 jobs were lost in the hotel industry and Wall Street lost 160 million dollars in commissions. Individual companies were severely impacted: Merrill Lynch had 9,000 workers relocated (Hagg, 2001); Morgan Stanley Dean Witter Co. had 3,700 employees displaced from the WTC (McPhee & O'Shaughnessy, 2001); Marriott lost two hotels in the immediate vicinity of the WTC and saw its occupancy rate plunge to 38% nationwide from an average of 70% before the attacks (Bloomberg News, 2001); similarly, the aviation industry's business decreased after 9/11 taking three years to rebound (Office of the Asst Sec for R&D: Trans Statistics, 2005).

Preliminary results of an economic impact analysis (Harrald, Coppola, Yeletaysi & Taha, 2003), however, led to surprisingly counter-intuitive conclusions indicating that there was no clear relationship between the magnitude of the impact of September 11 on the individual corporations surveyed and their subsequent performance and capacity to recover. This was true based only on their stock value. Companies were most affected by the catastrophic loss of employees and the knowledge and skills that they possessed, i.e. assets

critical to the businesses survival and continued operations. In the WTC, Cantor Fitzgerald lost 733 of its 1,000 employees, AON Corp lost 200 of its 1100 employees, and Marsh and McLennan lost 331 employees. Small businesses incurred even higher proportional losses: Fred Alger Management lost 36 of its 55 employees; Carr Futures lost 70 out of 141 employees; (Ballman, 2001).

Now, several years after 9/11, this research continued to be relevant to these real-world problems, even without the current economic crisis. For example, as pointed out in the 2003 Research Report of The Conference Board, "Corporate Security Management—Organization and Spending since 9/11, (Cavanagh & Whiting, 2003)" eighty percent of America's critical infrastructure is managed by the private sector. Critical infrastructure includes a variety of assets (physical and cyber-based systems) required for an economy or society to operate, e.g. telecommunication, financial services, security services, electricity generation and water supplies. It is commonly believed that there are many who seek to harm and would exploit vulnerabilities in the critical infrastructure, particularly those in facilities required for the economic activity. In fact, a sizeable portion of the large publicly held firms directly and indirectly impacted by the September 11, 2001, World Trade Center (WTC) attacks were in the financial services industry.

Al-Qaeda and other terrorist groups have a clear interest in targeting the economy of the United States as the following October 6, 2002 quotation from Ayman Al-Zawahiri, Head of Al-Qaeda Operational Planning, clearly indicates: "... The settlement of this overburdened account will indeed be heavy. We will also aim to continue, by permission of Allah, the destruction of the American economy." Various other messages from the Al-Qaeda leadership and seemingly affiliated organizations have periodically mentioned economic warfare as a dimension of their intent in context of their stated hostility towards the Government of the United States. In "A Message

20 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:
www.igi-global.com/chapter/mitigating-the-impact-of-extreme-events/124649

Related Content

Improving Agent-Based Simulation of Major Incident Response in the United Kingdom through Conceptual and Operational Validation

Glenn I. Hawe, Graham Coates, Duncan T. Wilson and Roger S. Crouch (2015). *International Journal of Information Systems for Crisis Response and Management* (pp. 1-25).

www.irma-international.org/article/improving-agent-based-simulation-of-major-incident-response-in-the-united-kingdom-through-conceptual-and-operational-validation/156564

Integration of Ignatian Principles in Emergency and Disaster Management Education

Karim Trueblood (2021). *International Journal of Disaster Response and Emergency Management* (pp. 17-34).

www.irma-international.org/article/integration-of-ignatian-principles-in-emergency-and-disaster-management-education/281107

Sustaining a Globally Diverse Community Through a Time of Crisis: Challenges and Consequences

Elizabeth Strobe (2024). *Rebuilding Higher Education Systems Impacted by Crises: Navigating Traumatic Events, Disasters, and More* (pp. 95-109).

www.irma-international.org/chapter/sustaining-a-globally-diverse-community-through-a-time-of-crisis/343829

Building Global Competencies Transcending the Traditional Pedagogical Practices: A Case Experience Based on Cross-Cultural Collaboration of Faculty

Carolyn Kelly Sue Ottman and G. Delina (2024). *Building Resiliency in Higher Education: Globalization, Digital Skills, and Student Wellness* (pp. 55-72).

www.irma-international.org/chapter/building-global-competencies-transcending-the-traditional-pedagogical-practices/345217

Resilience Strategies for Higher Education Institutions

Christopher Nyakoty and Pedzisai Goronga (2024). *Rebuilding Higher Education Systems Impacted by Crises: Navigating Traumatic Events, Disasters, and More* (pp. 1-18).

www.irma-international.org/chapter/resilience-strategies-for-higher-education-institutions/343824