

Disasters & Share Value

Oxford Metrica is an independent strategic advisor that addresses top management on risk, value, reputation and governance relative to the strategic aspects of financial performance while looking at the impact that natural and man-made disasters have on companies share-holder value.

Last week Oxford took what it terms "ideas with impact" to the famed Copter Club in the Pan Am Building (now called Met Life) above Grand Central Station in New York City.

Part of the presentation addressed the airline business with statistics and conclusions concerning various air disasters and accidents during recent years.

Although reading about disaster impact on the airline business is a bit stoic by nature, reality is that since most airlines depend upon their public share value this information could be valuable.

"The analysis of aviation disasters suggests that markets respond well to management teams which demonstrate an understanding of what essential action is required, an appreciation that specialist help is almost certainly necessary, and the courage to act sensitively and efficiently in unexpected and devastating circumstances.

"Since by its definition, mass fatality events require external assistance, it is interesting to investigate whether there is any discernable difference in market response associated with the engagement of a specialist service firm.

"Our analysis showed that 50% of the disasters were handled with the assistance of Kenyon International Emergency Services, a company that specializes in mass fatality disaster management.

"Since there is a clear market leader, the sample of aviation disasters was partitioned into a Kenyon and a non-Kenyon group to allow for a valid statistical comparison.

"Kenyon differs from its competition in that it is the longest established and it offers a full-range of services including: contingency planning, disaster management response and recovery, identification of human remains and personal effects, training, family assistance, call centers, memorials and humanitarian services.

"Kenyon has been responding to aviation disasters since 1929.

"By the end of the post-event year, those firms with the specialist services from Kenyon were outperforming their peers by 40%.

"The enlisting of specialist care enables experts in disaster response and recovery, and humanitarian services to carry out their work efficiently and sensitively.

"This is consistent with the anecdotal evidence that suggests firms are more likely to experience efficient value recovery if they demonstrate strong leadership, honesty and compassion.

"It is important to note that the engagement of specialist services does not suggest a delegation of responsibility.

"Mass fatality events are extreme and profoundly shocking.

"It is unrealistic to expect a corporate management team to be able to cope effectively with the consequences of such a disaster without help."

Contact: www.kenyoninternational.com