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## Key Leadership Lesson from the Great East Japan Earthquake: Empower Your Frontline

- Special chapter of *Global Risks 2012* report highlights key lessons from the Great East Japan Earthquake
- Leadership lessons include the importance of empowered employees and clear communication
- The crisis revealed the dangers of unforeseen negative consequences as Germany closed nuclear plants and automobile production as far away as the United States was shut down
- Read *Global Risks 2012* report in full: <http://www.weforum.org/globalrisks2012>

**London, United Kingdom, 11 January 2012** – Empowering employees and providing clear lines of communication are critical if organizations are to become more resilient to major shocks. This is the key finding of a special report that examined Japan's experience in simultaneously managing a massive earthquake, tsunami and nuclear crisis, which is featured in the World Economic Forum's *Global Risks 2012* report, released today.

"Studying the 11 March disaster in Japan in a global context was needed as decision-makers are increasingly faced with complex risk events that require them to respond quickly in times of crisis," said Lee Howell, the World Economic Forum Managing Director responsible for the report.

The section on Japan highlights that training and empowering a network of employees who have access to real-time coordinating mechanisms to make decisions as events unfold can be more valuable than teams of specialized risk managers. It cites the case of Lawson, a Japanese convenience store chain; within four days of the disaster, its production lines and logistics hub had recovered sufficiently to resume around 80% of its business.

Authorities in Japan were criticized for not communicating quickly and clearly enough about the disaster. On the fourth day of the crisis, the United States advised its citizens to evacuate to 80 km away from the Fukushima plant, four times the zone imposed by the Japanese government. Many Japanese felt this confirmed their suspicion that the situation was more serious than their leaders were prepared to admit.

The chapter also highlights the complex and interconnected nature of today's risks: whereas the direct costs of destroyed buildings and infrastructure is estimated at 17 trillion yen (approximately US\$ 220 billion, as of June 2011), Marsh Inc. puts the total indirect costs at between 35 and 60 trillion yen (approximately US\$ 453 to 776 billion).

Unforeseen consequences ranged from Detroit automakers shutting down because they lacked microcontroller chips manufactured near Tokyo, to Germany decommissioning safe nuclear plants because of public concern.

The full report is based on a survey of 469 experts and industry leaders. It warns that economic and social turmoil risk reversing the benefits of globalization and analyses three major risk cases:

### Case 1: Seeds of Dystopia

Bulging populations of young people with few prospects, growing numbers of retirees depending on debt-saddled states (stoking fiscal imbalances) and the expanding gap between rich and poor are all fuelling resentment worldwide. Collectively, this constellation of risks could unwind the gains of globalization by driving populism, nationalism and protectionism.

"Individuals are increasingly being asked to bear risks previously assumed by governments and companies to obtain a secure retirement and access to quality healthcare. This report is a wake-up call to both the public and private sectors to come up with constructive ways to realign the expectations of an increasingly anxious global community," said John Drzik, Chief Executive Officer of Oliver Wyman Group (Marsh & McLennan Companies).

### Case 2: Unsafe Safeguards

Policies, norms and institutions from the 20th century may no longer protect us in a more complex and interdependent world. The weakness of existing safeguards is exposed by a constellation of risks related to emerging technologies, financial interdependence, resource depletion and climate change, leaving society vulnerable.

“We’ve seen examples of over-regulation, like the response to the Icelandic volcanic eruptions, or under-regulation, such as the subprime or Eurozone crises. We need to get the balance right with regulations and, to that end, our safeguards must be anticipatory rather than reactive. It’s equally important that regulations be made more flexible to effectively respond to change,” said David Cole, Chief Risk Officer at Swiss Re.

### Case 3: The Dark Side of Connectivity

Our daily lives are almost entirely dependent on connected online systems, making us susceptible to malicious individuals, institutions and nations that increasingly have the ability to unleash devastating cyber attacks remotely and anonymously. There exists a constellation of risks familiar to the digital world that poses a real threat to the physical world.

“The Arab Spring demonstrated the power of interconnected communications services to drive personal freedom, yet the same technology facilitated riots in London. Governments, societies and businesses need to better understand the interconnectivity of risk in today’s technologies if we are truly to reap the benefits they offer,” said Steve Wilson, Chief Risk Officer for General Insurance at Zurich.

The seventh edition of the report describes 50 global risks and groups them into [economic](#), [environmental](#), [geopolitical](#), [societal](#) and [technological](#) categories. Within each category, the most significant systemic risk is singled out. The report also highlights “X Factors” – emerging concerns with still unknown consequences that warrant more research. These include a volcanic winter, cyber neotribalism and epigenetics.

The three risk cases, Japan and X Factors are the focus of special sessions at the World Economic Forum Annual Meeting 2012 in Davos-Klosters, Switzerland, taking place on 25-29 January.

Published in cooperation with Marsh & McLennan Companies, Swiss Re, the Wharton Center for Risk Management and Zurich, *Global Risks 2012* is the flagship initiative of the World Economic Forum’s Risk Response Network. The Risk Response Network provides private and public sector leadership with an independent platform to better map, monitor, manage and mitigate global risks.

### Notes to Editors

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Read the *Global Risks 2012* report in full at <http://www.weforum.org/globalrisks2012>

Watch the report launch press conference live at 09.30-10.30 GMT on 11 January 2012 or replayed at

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