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Pandemic & Business Continuity Planning

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Of many topics under discussion at this year's Annual Natural Hazards Research and Applications Workshop in Boulder Colorado were *Business Survival* and *Pandemics*. Some general lessons gleaned from these two separate sessions follow.

First up, planning for disasters is much more than just knowing where to find the first aid kit and spare batteries for the torch. A key issue is to think beyond the front door, about your business dependencies upon staff, suppliers and customers. Risks of not doing this may be:

- Financial loss
- Business interruption
- Loss of key clients – it is easier to keep clients than to get new ones
- Loss of reputation
- Legal liabilities
- Injury to people
- Attracting regulatory scrutiny
- Business failure

The general consensus was that much business continuity planning undertaken by companies at present is done just to appease regulators and considered unlikely to be much practical use in an emergency. It may be salutary to learn that in the US, some 25% of businesses that close after a disaster never reopen. One year after Katrina, for example, only 10% of businesses in New Orleans are back open for business.

Of course, it is always difficult to say exactly why a business fails, but smaller businesses are likely to be most vulnerable and it is these smaller enterprises that collectively employ the most people. In this way, business survival and community survival are closely linked.

One reason to think about business continuity is Avian flu. The concern is that the H5N1 virus, currently affecting domestic and wild birds around the world, might mutate to become much more transmissible between birds and humans. The mortality rate for those who do happen to catch the disease is high – something like 60%. No one knows when this mutation might happen or how virulent it might be should it happen. There have been three influenza pandemics in the last century with that of 1918/19 (see Risk Frontiers Quarterly Newsletter, December 2005) being the most serious. Schools were closed and churches and other places of public gathering off limits. Normal life pretty much ceased in large parts of Australia.

Government is putting considerable efforts into contingency planning but its capability to manage such an event is rather limited. The NZ Government's *Business Continuity Planning Guide* (Oct 2005) borrows from planning work done by the Shell Company of Australia Ltd for use in their installations in Oceania. It was Royal Dutch Shell that popularised scenario planning in the 1970s. Shell considered what would happen in the event of a big drop in world oil reserves and by doing so was the only company ready for the huge oil price shock after the Yom Kippur war in 1973. It is not surprising that this company should once again be using this technique to manage its exposure to a future influenza pandemic.

So some miscellaneous facts about a pandemic:

- A pandemic is a huge local problem - everywhere.
- Its onset is expected to be rapid, widespread and persistent.
- Quarantine will not be viable once the virus is established.
- Governments will not be able to respond to the many communities impacted at once.
- Be prepared to look after yourself and family – 99% of those affected will have to be cared for at home.
- Planning done by the state of Maryland in the US is based on the expectation that 50% of caregivers will not turn up to work.
- Vaccines may take up to six months to develop and it could be some twelve months before they are available in the quantities needed.
- The pandemic could last for several years and with episodic waves of increased intensity lasting four to six weeks.

- International preparedness is essential for effective national preparedness – if it doesn't work in Indonesia then having stockpiles of antiviral drugs in Australia may not do us much good.
- Eventually enough people will have built up a resistance to the virus and the virus itself will mutate to less virulent forms and the pandemic will die out.

So some questions for the boss:

- Could you operate with only 50% or 30% of your employees for several weeks at time?
- Has staff been informed about washing hands and *social distancing*? – a metre or so of air is thought to be a good barrier to infection.
 - Can business activities be carried out by computer rather than face to face meetings?
 - Can you use video conferencing rather than travelling by plane or public transport for meetings?
- How would you deal with employees who turn up to work sick because they are worried about paying their bills?
- Have you considered a liberal leave policy for employees who need to care for other family members?
- How would a pandemic affect key suppliers and customers?
- Can you wean your staff off drinking raw duck blood at business functions?
- Will banning cock fighting in the workplace have a deleterious impact on staff moral?

Scenario planning as mentioned above comprises three key steps:

- identifying the critical uncertainties,
- composing scenarios, and
- analysing business decisions under these different scenarios.

Companies insuring for business interruption should have a vested interest in this exercise being done well. Even if the pandemic alarm turns out to be another Y2K fizzer, the exercise will still be useful in highlighting your business's vulnerabilities to other natural and manmade disasters.