

# **Business Continuity and Bird 'Flu**

**Robert Marks  
SM 1**

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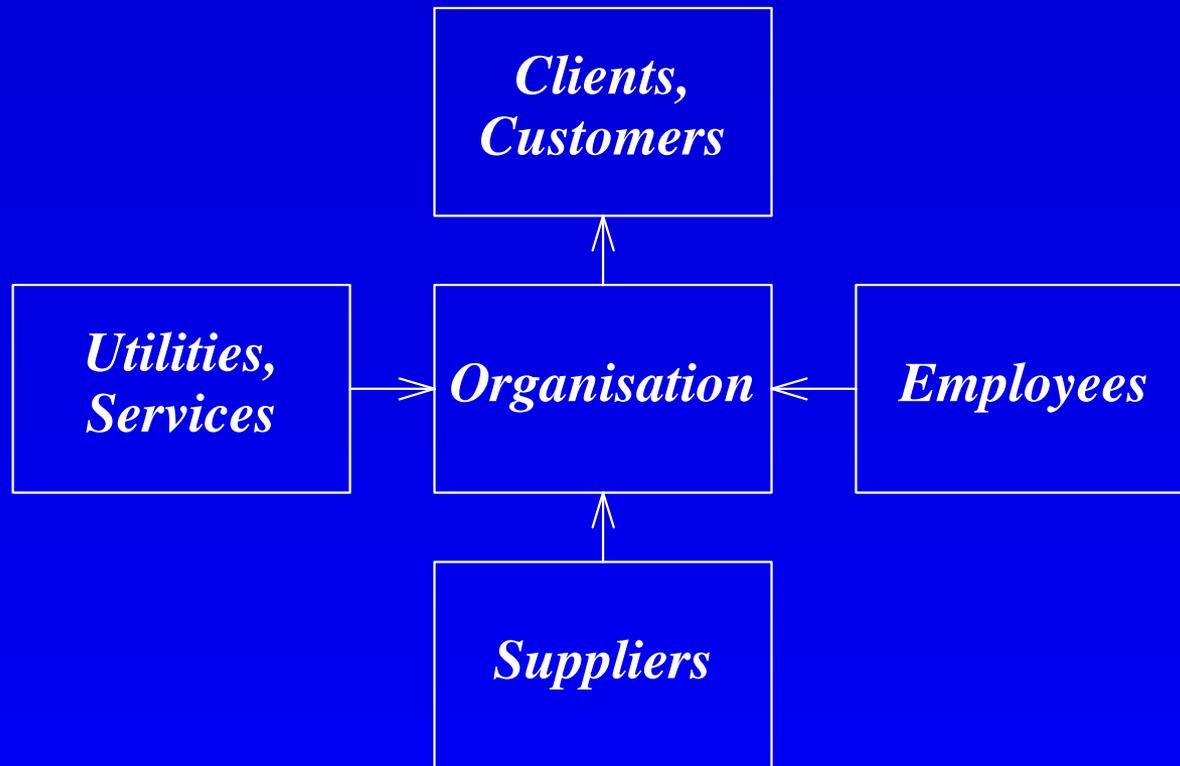
## Business Continuity Planning (BCP)

A central component of the firm's risk management.

Usually, to mitigate the impact of sudden failure of critical infrastructure

- To maintain critical operations, and
- To recover critical operations.

## A Framework for BCP:



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- **Capital Markets: equity or debt.**

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Disruption of means to conduct business (e.g. IT), as well as supplies and demand.

An Avian 'Flu Pandemic (AFP) affects not only the externals, but also the internals — geographical spread is no insurance against an AFP.

## **Look Within, Not Outside**

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- 1. Try to plan for all possible threats.**

**But this is endless.**

- 2. Better to look within the firm/organisation and ask: what do we do, and what do we want to keep doing?**

**How?**

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- 4. What actions could the organisation take to mitigate potential disruptions of Employees and Functioning? Suppliers? Utilities? Services?**
- 5. Group and rank these actions, and decide which to undertake now.**

## Perceived Threats to Business and Society

1. Computer-based risks: 6.0
2. Foreign trade: 5.3
3. Corporate governance: 5.2
4. Operational/facility: 5.2
5. Liability risk: 5.1
6. Regulatory regimes: 5.0
7. Consumerism: 5.0
8. Natural disasters: 4.7
9. Accounting rules: 4.6
10. Terror – CBD: 4.4

Source: *Swiss Re Corporate Risk Survey 2005*: “How concerned are you about various risks affecting your company?” (0–10)

## **A Pandemic Occurs When ...**

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**So far we have 2. and 3. We await H2H.**

**Each pandemic is unique, but we only have historical data to go on.**

## Economic Costs:

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- **The SARS outbreak in 2003 estimated to have cost about 0.6% (USD\$18 bn) of affected countries' GDPs (Bloom et al. 2005).**

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**∴ We should plan for the possibility of an Avian 'Flu Pandemic (AFP).**

## Uncertainties ..

There is considerable *epidemiological uncertainty* about how many people will be infected and the severity of the disease, and *economic uncertainty* about how an outbreak will affect economic activity.

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Affected by:

- public health measures, private hygiene,
- the responses of businesses,
- the responses of people, and the extent to which people panic.

## Profits for Disaster?

**These industries will sell more:**

- **Medical masks, wipes, and hand-washing liquids.**
- **Long-lived foods, for storing.**
- **Off-grid energy supplies.**
- **Ionisation to destroy air-borne pathogens.**
- **Biotech: fast detection; vaccine prototyping and manufacture.**
- **Undertakers etc.**
- **Health providers.**

## Investment Advice?

**These industries will suffer:**

- ***Tourism and hospitality* industries hard hit. *Travel* too.**
- ***Mass entertainment* (cinemas, theatres, concerts, museum, galleries, sports) hit.**
- ***Retailing, leisure, casinos, racing, theme parks* hit.**
- ***Life and re-insurance* companies hit.**
- ***Property and housing and mortgage providers'* values fall.**
- ***Poultry industries* hit, with its suppliers.**

## Opportunities?

### Other Beneficiaries:

- **Telecoms, telecommuting industries.**
- **Broadband suppliers.**
- **Their equipment suppliers.**
- **Pharmas such as Biota/GSK and Gilead/Roche (the antivirals Relenza and Tamiflu, respectively).**

## Two References.

**IMF, Preparations for an Avian Flu Pandemic, Feb. 2006.  
[www.imf.org/external/pubs/ft/afp/2006/eng/022806.htm](http://www.imf.org/external/pubs/ft/afp/2006/eng/022806.htm)**

**Swiss Re, *Swiss Re Corporate Risk Survey: A Global Perspective*, 2006.**