

Business Continuity and Bird 'Flu

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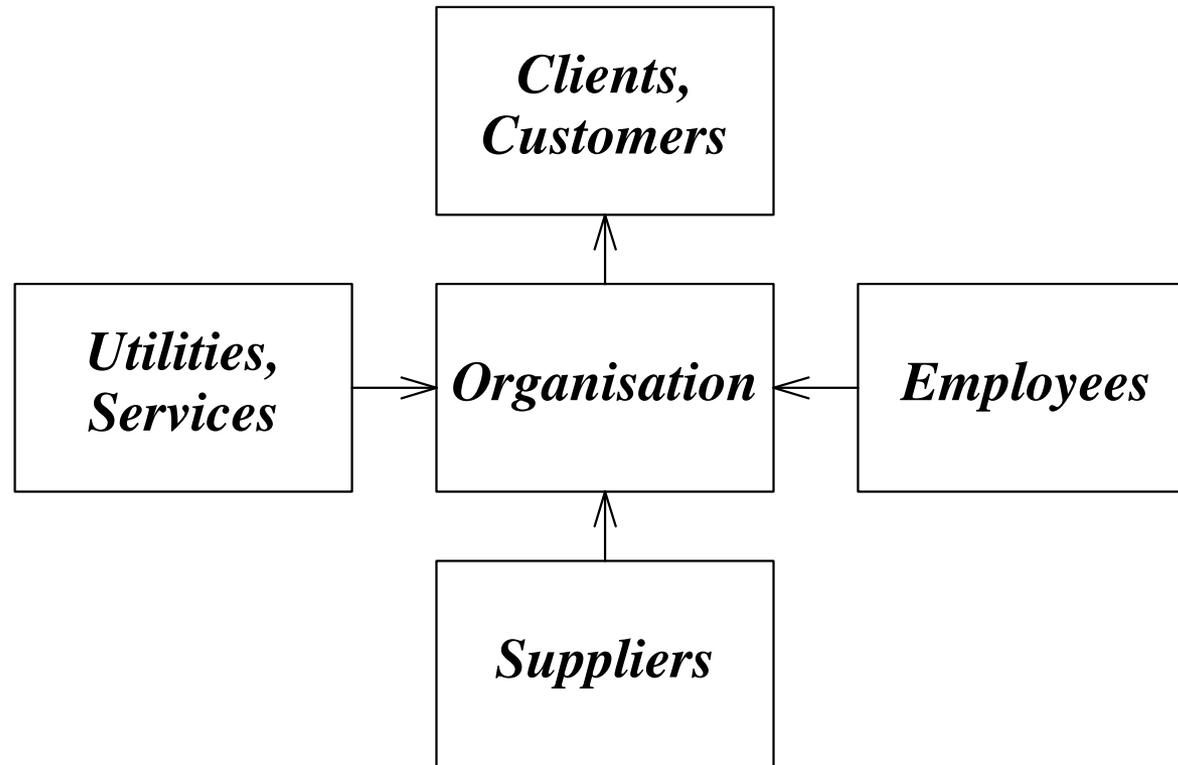
Business Continuity Planning (BCP)

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:



External and Internal Disruption to a Firm or Organisation — Three Vulnerabilities.

1. External Inputs (the supply side):

- **Labour: employees, menial, skilled, and managerial.**
- **Raw Materials: tangibles.**
- **Intermediate Inputs: bought from other firms.**
- **Energy/Utilities: electricity, motor fuel, gas, water, sewerage, waste disposal/recycling.**
- **Services: banking, auditing, insurance, security, legals, telecoms, travel, maintenance, police, fire, catering, cleaning, consultants, advisors.**
- **Capital Markets: equity or debt.**

Three Vulnerabilities ...

2. External Demands (the demand side): from clients and customers, who buy the firm's outputs.

3. Internal (the third vulnerability): employees, corporate structure (differentiated labour and lines of authority up and down).

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

There are two broad approaches:

- 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?

Continuity of Core Activities.

- 1. Triage: Rank the organisation's activities as: essential (core); desirable; or postponable. (Bear in mind possible changes to client demands during the event.)**
- 2. To what extent will disruptions of Employees and Organisational Functioning, Supplies, and Utilities & Services render continuing activities of the organisation difficult or impossible? (This will depend on the kind of event.)**
- 3. Reconsider the rankings in light of these difficulties.**
- 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 ...

when a novel influenza strain emerges with the following characteristics:

- 1. it is readily H2H (infectious between humans),**
- 2. the human population lacks immunity to the unique strain, and**
- 3. it is highly virulent.**

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:

- **One year's cost today, perhaps USD\$800 billion.
(World Bank)
(= 2% of world GDP)**
- **The SARS outbreak in 2003 estimated to have cost about 0.6% (USD\$18 bn) of affected countries' GDPs (Bloom et al. 2005).**

Current Avian 'Flu: A H5N1

- **Little evidence of H2H transmission ... yet.**
- **Great mortality rate among birds.**
- **Now endemic in birds in Eurasia and Africa.**
- **Case fatality rate in humans of 55% (of only 208 confirmed cases). (WHO)**

(SARS: 8096 cases, 774 deaths: c.f.r. 9.6%)

∴ 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.

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**

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