

Risk Management

Today

Coronavirus: assessing risk and planning initiatives— (2020) 29(10) ARM 130

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Introduction

Coronavirus seems to be spreading quicker than previous pandemic potential viruses, ie, H5N1, H7N1, SARS, Ebola, MERS, etc. Could this be the long-awaited/ anticipated threat realisation, or is it becoming a media-driven phenomenon? Needless to say, planners should be implementing some assessment analysis regarding the potential for impacting business operations. Here is a brief look back at one of my articles from 2006, entitled “Pre-Pandemic Planning: Business Continuity Perspectives”, when bird flu (H5N1) was the hot topic:

The business community is “not adequately prepared” for a possible avian flu pandemic, says Secretary of Health &

Human Services Michael Leavitt. As of July 24, 2006, there have been 231 confirmed cases in humans resulting in 133 deaths (a mortality rate of 57%). The virus has spread to 33 countries through wild migratory birds that have now infected domestic poultry (source World Organization for Animal Health).

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An influenza pandemic could sideline 40% of your workforce, shut down foreign trade, and degrade public services. Here are public-health experts’ tips for companies (Data: Trust for America’s Health, US Health & Human Services Dept):

Public health experts’ tips	My assessment
Leave Hot Zones: Make plans to pull people out of countries where the epidemic strikes first, while ensuring that crucial jobs are covered.	When are you going to know that you are in a “hot zone”? Second, quarantines may preclude moving people.
Limit Travel: Steer clear of hot zones and limit overall travel. Airports will be incubators for the pandemic.	This may be a given in that we hear about border closures, quarantine, etc. The real issue is if you are travelling and get stranded in a location, not limiting travel.
Focus on Essentials: Identify your company’s irreplaceable functions and figure out how to keep them going with 25%–40% of staff out sick.	What is essential? Food, water, medicines, fuel? Irreplaceable functions? What functions are not irreplaceable — just ask anyone in your organisation if they are dispensable and if they say yes you may wish to consider eliminating the position now.
Stock Up: Consider building up inventories in case foreign or domestic suppliers and transport services are paralysed and “just-in-time” production is threatened.	Sure, go ahead and make a business case for changing “just-in-time delivery/manufacture etc” to your management, board and stakeholders. Not as easy as it sounded, is it?
Go It Alone: Anticipate and prepare for breakdowns in government services, like sanitation, water and power.	What happened to “core business” concepts, outsourcing etc? Can you really go it alone? How are you going to create a business case for no customers, suppliers and as for government services, utilities, etc you may find that going it alone sets you up for having your resources commandeered for the great good.
Isolate the Sick: Try to limit the flu’s spread in the workplace by improving air circulation and filtration. Stock up on masks and sanitisers, and consider staggering work hours to limit the size of gatherings.	How do you know what they are sick with? Could be the common cold and not the pandemic flu. When will the pandemic strike? Stocking up means “from now until forever” as you will have to maintain these stockpiles until the pandemic materialises.

<p>Spread Out: Supply employees the equipment and support they need to telecommute if their jobs allow.</p>	<p>As you make your business case for some of the above items, consider that local infrastructure will in most cases not support the environment that your employees have in their offices today.</p>
<p>Roll Up Your Sleeves: Help employees get flu shots, but don't count on medicine to stop the pandemic — there's no vaccine for H5N1.</p>	<p>As this tip already points out there is no vaccine for H5N1. Sanofi Pasteur vaccine seems to be effective only in large doses (evidently, six times the normal dose of flu vaccine). Can you really “roll up your sleeves” and think that you are protected?</p>
<p>Beef Up Job Security: Make sure your sick-leave and pay policies don't discourage workers from staying home when they're ill.</p>	<p>This requires a potential change in policies that could have legal ramifications beyond the unknown and undetermined strike date of the pandemic. Remember — “from now until forever” when you begin to look at policy creation and change.</p>
<p>Keep Talking: Let your employees know what you're doing — and what they should do — to limit the pandemic's impact.</p>	<p>This is perhaps the best tip of all. Communication will be a key to diffusing panic, chaos and fear during this and/or any other “crisis” event. Trained people are more likely to act as you want them to act based on the training to act.</p>

While there is merit to the above suggestions for steps that your organization can take, the concern should not be about responding to the pandemic itself (we are missing the point) the concern should be for the speed of its spread throughout the worldwide population and the economic consequences that will result as the complex global economy is shaken to its foundation.

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According to an International SOS survey 91% of the respondent companies consider preparedness for Avian Flu “Important, Very Important or Critical”; yet only 26% have begun to implement a pandemic preparedness plan and just 1% have completed a plan, according to the survey of 200 Fortune 500 companies and other large organizations (Source International SOS).

Remember, the above was written in 2006, what's changed in the last 14 years?

Coronavirus: what's changed since the 2006 bird flu scare?

Due to the non-static nature of risk, exposures constantly change. Mitigation has the effect of altering the risk so that a new exposure is created. Mitigation buffers risk temporarily. One thing that is not taken into account when doing a risk assessment is the action of others who have the same risk exposure and are taking mitigation actions to buffer the risk exposure that they have. It is imperative to develop a mindset of constant risk monitoring and buffering activities. See my article on thinking like a commodities trader when it comes to risk.

Coronavirus, H5N1 (bird flu), H7N9, SARS, Ebola, etc risk management should focus on your enterprise and its vulnerabilities — supply chain, customers, operations, etc. Leave the medical aspects to the medical profession, the Centers for Disease Control and Preven-

tion (CDC) and other better equipped entities. Your business, unless it is healthcare, should focus on basic precautions such as cleaning supplies that keep surfaces free of transmission sources and educating your people on the warning signs and cough protocols (CDC has some great posters on proper way to cough). Review HR procedures, policies and practices to address the potential disruption of your workforce. Rethink work at home — it is not the same as the technology available in the office. You can also find some of my articles on the internet that discuss pandemic planning, and of course my book, *Protecting Your Business in a Pandemic: Plans, Tools, and Advice for Maintaining Business Continuity*.

SMART planning and preparedness

SMART is an acronym for Specific, Measurable, Attainable, Relevant and Time-bound. When it comes to the emerging Coronavirus, how do we apply SMART to our planning without becoming media-driven, reactive and misfocused?

Is it *Specific*? Yes, it is about Coronavirus. However, should we limit our planning to such a fine point focus? Communicable diseases might be a better reference point, and perhaps limit the liability potential for not planning for more than Coronavirus.

Is it *Measurable*? Yes, because we can count the number of cases and track the spread via the World Health Organization, CDC, etc. Again, I would suggest that the broader focus should be on communicable diseases; unless, of course, you can accurately predict that Coronavirus will be the one and only source of transmission.

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Is it *Attainable*? Well, we have obviously planned and prepared for pandemics before, but do we have the required knowledge to do it in this instance?

Is it *Relevant*? From a general perspective, health issues are always relevant. However, for most non-healthcare organisations, the relevance needs to be put into the context of the operations of the organisation. Of course, the protection of employees is paramount; but protecting them from what? The issue of relevance should be focused on the business operations and the potential impacts that could alter operations. These could be a lack of demand or an overwhelming demand for product/services (ie, mask makers may not be able to keep up with demand).

Is it *Time-bound*? Perhaps, with emergent disease, such as Coronavirus, the potential for a pandemic must be taken into account, however, the timeline is vague; until it is not.

A question for you: is planning for the Coronavirus a SMART operational or strategic objective?

Focus on achieving risk parity

Risk parity is a balancing of resources to a risk. You identify a risk and then balance the resources you allocate to buffer against the risk being realised (that is occurring). This is done for all risks that you identify and is a constant process of allocation of resources to buffer the risk based on the expectation of risk occurring and the velocity, impact and ability to sustain resilience against the risk realisation. You would apply this and then constantly assess to determine what resources need to be shifted to address the risk. This can be a short-term or long-term effort. The main point is that achieving risk parity is a balancing of resources based on assessment of risk realisation. Risk parity is not static, just as risk is not static.

When I say risk is not static, I mean that when you identify a risk and take action to mitigate that risk, the risk changes with regard to your action. The risk may increase or decrease, but it changes due to the action taken. You essentially create a new form of risk that you have to assess with regard to your action to mitigate the original risk. This can become quite complex as others also will be altering the state of the risk by taking actions to buffer the risk. The network that your organisation operates in reacts to actions taken to address risk (ie, “value chain” — customers, suppliers, etc). All are reacting and this results in a non-static risk.

A good example in the current Coronavirus situation would be the purchase of, say 10,000 masks. You have a risk that the masks will not be used; that they will be taken under “*eminent domain*” by government for the greater good of the community; that the stockpile will be insufficient for the demand, etc. These and other consid-

erations change the risk profile (non-static). As cited above, purchasing masks creates new risks. In any event, you have altered the risk and it has become non-static due to your actions and/or the actions of others within your network and external to your network. This gets us to non-aligned risk which is a risk that is influenced by nonlinear reaction.

I think that “*relevance*” is a very significant word relative to key risk indicators (KRIs). You can have an extensive list but if they are not relevant to the organisation and its operations, they do little to enhance the risk management efforts. That said, we have to assess non-linearity and opacity with regard to the potential obfuscation of “*relevance*”.

Concluding comments

For risk management and business continuity professionals Coronavirus represents fertile ground. As Coronavirus continues to spread, with each new flare-up creating a media feeding frenzy, risk management and business continuity planning will become more involved in developing plans to address this potentially “*new crisis*”. This created a myriad of articles and flurry of activities when Ebola arrived in the USA (Dallas, Texas and Cleveland, Ohio). The Ebola scare quickly died and with it the planning that could have been broadened to address communicable diseases.

At present, Coronavirus has too many unanswered questions. If we, as risk managers and continuity planners, claim to address risk and business continuity, shouldn't current assessments and plans be sufficient, with minor modification, to address the issue of a pandemic? If the answer is “*no*, we have to create new plans”, then we have missed the point of risk management and business continuity planning. If we are actively assessing risk and have created plans that we claim are “*business continuity plans*”, “*all-hazards plans*”, and plans that ensure operational resilience, then why are these plans suddenly insufficient to address the threat of a global pandemic?

As you reflect on this question, look back at the generous amount of information that is still available regarding H5N1. Note that the vast majority of the articles and information were oriented toward mortality and morbidity rates, a pattern we see emerging with Coronavirus today.

Even when there is a discussion of the business impact of a pandemic flu, the orientation is focused on the response to the pandemic, a tactical approach. We need to begin to think strategically. Point of fact: we are not going to be able to stop a pandemic from occurring, whether Coronavirus, Ebola, H5N1 or some unknown emergent virus. Historically, pandemics last 500–800 days before burning out. Applying a first responder model to

a pandemic situation that could last 500–800 days could be devastating. Government reactions mirror this orientation and introduce the ideas of quarantine and isolation of infected areas. There is a tendency to look at a potential pandemic in terms of its medical complications and the stresses it will place on the healthcare industry to deal with it. While the rates of illness and death associated with a pandemic are not to be taken lightly, they are not the most critically dangerous characteristics.

Three critical characteristics can be associated with a pandemic today. *Speed* is the first critical characteristic. Our highly mobile society travels more frequently and at greater speed, so any pandemic will be travelling quite literally at “jet speed”. *Connectivity* is the second critical characteristic. Supply chains, outsourcing, etc are interdependent systems (utilities for example). We in the USA import more of our daily necessities than we produce domestically. The third critical characteristic is “economic inertia”. Today’s business environment is the product of decades of forces acting on it and resulting in a natural “inertia”. The worldwide economy does not have to be started every day or every year; it is in motion and it stays in motion. A pandemic with a time horizon of roughly 500–800 days could disrupt the inertia of the global economy such that restoring it to its pre-pandemic state could be an overwhelming task due to the structure and complexity of the global economy.

The implications associated with a pandemic are admittedly both extensive and far-reaching. They are equally unpredictable, and consequently can be easily overlooked when developing strategic plans, risk assessments and business continuity plans. With today’s businesses focusing on maximising the effectiveness of scarce resources, it may appear frivolous to dedicate time to planning for an unpredictable event such as a pandemic. This logic could lead to ramifications resulting in the total failure of the enterprise. Because of the speed at which a pandemic could spread globally, reaction time (ie, reactive planning) will be almost non-existent.



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