

PANDEMIC OUTBREAK THREATENS HEALTHY BUSINESSES

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By Rick Hasty

Overview:

As if the current recession worries aren't enough for business leaders to be concerned about, now we have the threat of a Flu Pandemic. Does the Swine Flu (influenza A\H1N1) present a material threat to US Businesses, or is this just a health concern with no meaningful impact on your company operations? Savvy business owners will have a business contingency plan in place that addresses any new crisis that threatens their business. The Swine Flu is just the latest and most visible of recent threats, but it is still active and presents a real danger should it continue to infect large numbers of the work force.

What should business executives do?

The recession-related challenges that most executives face today are immediate and pervasive. Their needs are already overpowering. How can companies find financing, acquire new

business and reduce overall costs in order to survive the current downturn, much less turn their attention to an unknown threat? It may appear to many business executives that only health providers need to be prepared should the H1N1 impact their local area. But Western Countries are being threatened. And Western Countries may suffer. The number of cases in Britain is doubling every week with predictions of 10% of the population being infected. Can your business operate effectively with 10% of the employees sick at home or in the hospital? A genuine Flu Pandemic could substantially increase employee attendance, reduce productivity and further erode an already weak business climate. The failure to anticipate the consequences of a rapidly spreading disease might trigger the collapse of an already fragile business. Every business needs to plan for unexpected crises.

Business Risks

On the surface it may appear that outside of health care, only the pork industry would suffer most due to the misperception of the virus being spread by swine (in reality, it is spread by human to human contact). But businesses that depend on transportation of food, travel to other countries, suppliers or customers in Central or South America, or any third world country have potential to suffer significant losses.

So what are the risks?

There are already indications that the death risk from Swine Flu could be as high as 10%,

especially in locations that do not have ready or ample supplies of medications. Businesses that depend on suppliers south of the US border or in third world countries could suffer from significant delays or reductions in critical supplies, crippling manufacturing or distributing operations. Companies that own subsidiaries in those countries could also face liabilities from the spread of disease, extremely high absenteeism rates, or the closure of entire operations by country health officials. Those same challenges could occur in US facilities if the Flu Pandemic continues to spread.

Action Plan

Managers need to conduct whole systems planning that considers the use of domestic suppliers, substitute workers, increased work from home, even temporary closing of facilities to prevent the spread of disease to healthy workers.

Communication planning is essential. Coke Consolidated in Charlotte, NC, as part of their comprehensive Business Continuity Plan, has already sent out information to its employees. The Chief Human Resource Officer, Kevin Henry, is intentional about the need to communicate:

"We believe that our employees will be more productive and prepared to respond effectively if they understand our commitment to their health and our plans in case of a crisis."

There may be direct financial pressures that surface as well. For example, there may be risks to current working capital for companies that need to increase inventory to avoid any delay in the arrival of goods. Perhaps other areas of operation may be at risk for investment dollars. If loans



cannot be secured to cover increases in costs it may be necessary to set priorities according to the need for working capital. There are many other potential challenges including loss of major clients, panic in the workforce, and loss of key personnel for extended periods.

Companies should be asking:

- What are my risks and how can I lower the potential consequences of an unforeseen disaster?
- Which operations are most likely to be affected?
- How fast can we react if a disaster appears imminent?
- What succession plan do we have in place in case of loss of employees?

In Closing

Of course, there are many other questions to be asked, and many varied answers depending on the unique needs of a business. But it is critical that companies have a plan in place, prior to having to respond to a crisis. It is too early to determine the current impact of the Swine Flu outbreak. But businesses should have a Business Risk Assessment in place that can be updated anytime

a potential threat is identified. Whether it is Pandemic Flu, a crazed disgruntled employee, or the loss of a significant major client, companies will be able to survive when they have thought through potential scenarios and understand the best way to respond when their business is threatened.

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