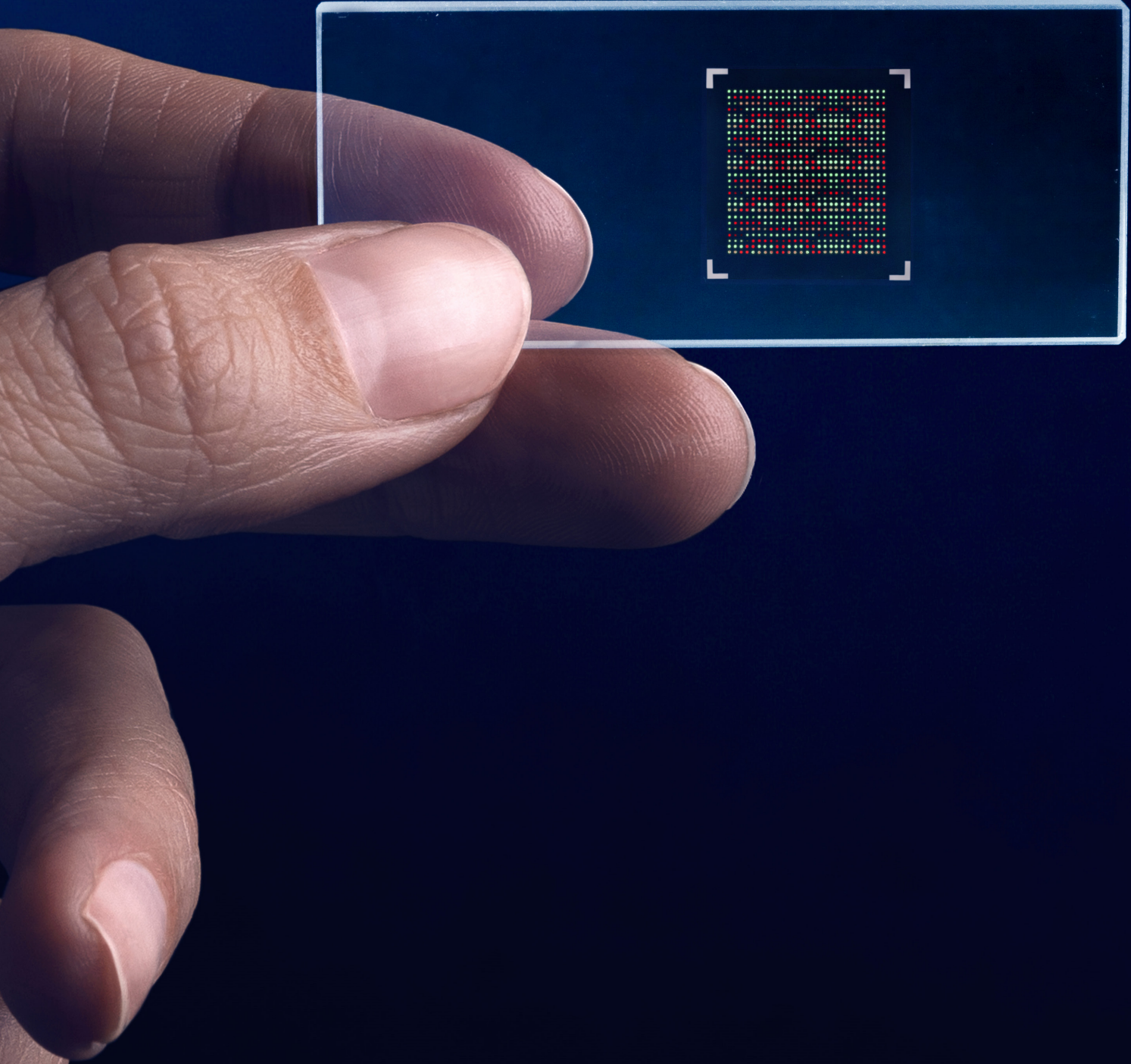# Pandemic Planning: Surviving Through Business as Unusual

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Building a better working world

Table of content

Spreading Contagion – Coronavirus Effects on the Working World

The rapidly evolving threat around 2019-nCoV virus spread, commonly referred to as Coronavirus, is raising concerns amongst the business and investor community across the world. The global and interconnected nature of today's business environment faces the serious risk of disruption of global supply chains that can result in significant loss of revenue and adversely impact global economies. Analysts around the world have already downgraded China's GDP growth forecasts for 2020 in the light of these recent developments and have cautioned that given China's importance as a leading global economy, Coronavirus can have serious long-lasting implications on businesses and economies around the world.

Response from the Epicenter – Insights from Wuhan, China

Wuhan, the capital of Hubei and the epicentre of the outbreak, is home to 11 million residents, is commonly referred to "the Chicago of China" and serves as a major transportation and industrial hub in central China and is centre for a number of automotive, high-tech manufacturing industries and Original Equipment Manufacturers (OEMs). The outbreak has forced suppliers and manufacturers to extend the Chinese New Year break to contain the spread of the disease. This change in the holiday period has impacted original production plans and may result in companies missing their original output targets with impacts to the entire global supply chain.

Enterprise Response

As the uncertainty around the evolving event persists, we are starting to see companies take measured approaches to safeguard employees and mitigate financial and operational exposure. For example, many multi-national businesses have reduced facilities and operations in Wuhan, China as travel restrictions and mandatory social distancing has been invoked throughout the country. Companies and governments around the world continue to closely monitor the situation.

Companies have long maintained various resilience plans for business continuity, disaster recovery, cyber risk management, and crisis management. These plans, while effective for a range of business disruptions, may fall short when dealing with a global crisis such as a Coronavirus or other pandemic events. Moreover, companies typically have less incentive to invest in distinct pandemic management capabilities since pandemics are lower probability events . Given the high severity, potential human impacts and greater contagion effect that these events can pose on the ongoing viability of operations, companies must think through the implications on their businesses and develop a tailored approach to respond distinctly to these events.

Importance of Pandemic Planning: Why traditional resilience plans are not sufficient to address pandemic-related disruptions

There are significant differences between business disruptions that are caused by natural, human-made, technology or operational failures than those caused by pandemic events. These differences persist due to the potential increased scale, severity and duration of pandemic events, necessitating the need for organizations to expand beyond traditional resilience planning strategies. Companies must incorporate pandemic planning considerations into existing resilience management activities to provide a comprehensive response and to ensure continuity of its most critical

products and services. Additionally, companies should consider establishing pandemic-specific policies and procedures, capabilities for employee communications, telecommuting and personal/family leave to minimize disruptions.

Difference between traditional business disruptions and pandemic-related disruptions :

Dimension	Business Disruptions*	Pandemic-Related Disruptions
Scale	Localized: impacts a specific firm, geography, facility, third-party, workforce	Systemic: impacts everyone from workforce, customers, suppliers, competitors
Velocity	Typically, contained and isolated quickly once root cause of failure is determined	Spreads rapidly as a market contagion across a geography or even globally with severe cascading impacts
Duration	Generally shorter duration of disruption e.g., less than a week	Extended and more long lasting e.g., can last up to several months
Workforce Shortage	May result in temporary shortage or repositioning of workforce	May result in a quickly increasing, significant shortage of workforce e.g., more than half of the workforce
External Coordination	May require some coordination with public, government, law enforcement and health officials	Requires high degree of coordination with public, government, law enforcement and health officials
Infrastructure Availability	Relies on availability of public infrastructure (e.g., power, mass transit, telecommunications, internet) to complement primary business strategies	Availability of public infrastructure may become constrained or restricted as scale and severity of event increases, especially as other companies are impacted by the same issue

*While some of the characteristics and impacts of business disruptions caused by natural disasters (e.g., hurricane, earthquake, tsunami) may be similar to those caused by pandemic events, a natural disaster is limited to a particular area/geography whereas a pandemic can start in a particular area/geography but can quickly spread globally

Key Takeaways: How to plan and respond differently to pandemics than traditional resilience planning

Apply a People-First Mindset: The very first priority of the organization during a pandemic should be the safety and wellbeing of its workforce. Employees are unable to focus on work responsibilities when their wellbeing and that of their family is in peril. Hence, the critical question firms must address at the onset of a pandemic event is "are my employees safe?" followed by "are my employees available to perform critical functions?" It is important for companies to be able to monitor the situation, provide a safe workplace and offer its employees the support that they need. Examples of employee support may include: providing access to internal and external resources (e.g., WHO, ISOS, CDC), communicating timely updates to raise awareness, establishing employee standard of care services, where possible, to provide support to sick personnel or those that are caring for sick household members. To enable timely two-way communication, employee tracking and to disseminate critical information, companies must ensure that Emergency Notification Systems (ENS) are in place and tested on a routine basis. Alternative communication channels, such as social media may be used as alternatives especially if the telecommunication network capacity is strained. In addition, companies should deliver pandemic-related training to enhance employee preparedness and alleviate any concerns.

Plan for Geographical Segmentation of Functions and Activities: A pandemic can have severe consequences in impacted areas and geographies making them inoperable for an extended period of time as seen in Wuhan, the epicenter of the current pandemic. As a component of a the Business Impact Analysis (BIAs), companies identify the chain of activities and functions, along with interdependencies (e.g., people, process, technology, data, facilities, third-parties) and related impacts to inform potential mitigation strategies. From a pandemic planning

perspective, companies should pay closer attention to geographical concentration of these critical activities and functions, and how to segment them for work transfer to alternate locations and sites. As prudent risk management and to the extent possible, companies should look to diversify supplier base, customers, third-party service providers, across geographies to avoid single points of failure and increased exposure due to regional outages, and geo-political events.

Invest in Technology and Infrastructure to Support Remote Work and Virtual Collaboration Capabilities: A pandemic requires employees to stay home to limit exposure and to prevent or slow down the spread of the disease resulting in activation of remote working capabilities. Unlike an occasional weather event which may prompt some employees to work remotely, a pandemic may lead to a complete shutdown of the entire facility in an area forcing a high number of employees to be remote for an extended duration. This may in turn result in larger than normal remote traffic on remote connectivity network causing capacity and load access issues. Companies should invest in tools to enable personnel to work remotely and to collaborate virtually, assess their current bandwidth to support remote work, perform periodic network stress testing and identify workarounds for critical tasks that are not executable from home. It is worth noting that while remote working is a viable option for the service sector, it does not work as well for manufacturing, thus resulting in critical impacts on product supply chains.

Consider Systemic Nature of Pandemics when Designing Response Strategies: Companies must challenge and stretch the boundaries for traditional resilience plans to address pandemic events. During a pandemic some of the standard strategies such as work transfer to alternate sites, relocation of workforce, staff augmentation may not be viable options as personnel and alternate locations/sites maybe as much impacted by the event. Additionally, degradation or limited availability of core infrastructure such as mass transit, telecommunications and internet may pose further challenges to activating plans and strategies. Companies

must carefully design distinct strategies to overcome these barriers, and especially plan around areas of high manual intervention, concentration risks, including single points of failure.

Assess Reliance on Third-Parties: Companies today have increased interconnectedness with third-parties such as outsourced vendors, cloud service providers, data processors, aggregators, payment processors, suppliers for delivery of products and services. These third-parties are also vulnerable to the pandemic event. Companies must develop a thorough understanding of their critical third, fourth, and fifth parties, and their resilience programs, and develop alternate plans, for instance in-source strategies or substitutability, if the critical third-party's ability to perform services is impaired. Companies should also validate alignment between their alternate plans and those of their third-parties. Conversely, companies should also identify instances where there may be opportunities for them to rely on certain third-parties with geographically disperse operations to assist with critical activities performed internally. However, in planning for such third-party alternatives, companies must recognize that their peers and competitors may look to same third-parties for assistance during a market contagion, leading to concentration risk. Companies must assess third-party capacity and bandwidth considering these market dependencies, and where possible, explore opportunities to embed contractual clauses that allows companies to be prioritized for products and services in relation to their competitors.

Engage with Customers: As observed during natural catastrophes   customers are generally more empathetic to degradation or discontinuation of certain products and services during disruptions that are beyond a company's control and involve life safety concerns than those that they are perceived to be preventable (e.g., system glitches). However, they expect transparency and timely updates. Companies must continue to communicate with customers through multiple channels, reinforce that customer interests are a priority, and provide information to alleviate their concerns. Customers may have specific questions

around company's supply chain especially if these are located in impacted areas, and how those may pose any potential risks to them for future use of company's products and services. A clearly drafted FAQ document published and disseminated through multiple channels, including the company's website and social media, can prove to be useful tool to proactively address customer concerns. Additionally, companies may consider reaching out to affected customers to check in on their safety and offer assistance, where appropriate.

Develop a Robust Communication Strategy (that incorporates Social Media): Effective communications during any crisis is crucial to maintaining customer trust, restoring employee morale and confidence, and ensuring market stability. While companies have a communications strategy and designated points of contact to engage with internal and external stakeholders, often times the messaging is inconsistent and untimely. Additionally, events like a pandemic can add an additional layer of complexity due to circulation of fake news and narratives on social media. To ensure cohesive and timely enterprise messaging, companies must establish a robust communications strategy that clearly lays out process and protocols to engage with a wide set of stakeholders (e.g., customer, counterparties, regulators, employees, third-parties, government, media, health officials) inclusive of any legal and jurisdictional considerations. Furthermore, employees should receive training indicating characteristics of a pandemic and how pandemics differ from traditional disasters.

Partner with Public Sector, National, State and Local Agencies, and Health Officials: Pandemic is a public issue first, and business-issue second. Hence, it is important for public and private sector to come together to provide an adequate and comprehensiveness response to a pandemic event. Companies must leverage advisories, resources and health safety measures prescribed by international, national, local agencies and health officials and refrain from distributing conflicting materials as it can lead to confusion and fear among employees. While well intended, companies must closely coordinate any direct efforts (e.g.,

providing supplies) to support communities with local agencies to avoid chaos, and to not impede any public assistance efforts underway. Communication strategy and channels to engage effectively with local and national authorities should be established. Companies may set up matching-grant and other financial assistance programs to help employees and communities in financial distress during this time.

Increase Rigor and Complexity of Testing: Companies must elevate the complexity of existing scenarios used for testing and simulations to assess preparedness for pandemic events. This includes testing against scenarios that evaluate company's response to extended periods of outages (e.g., more than 30 days), total shutdown of a major operational facility, city or region, increased absenteeism (more than half workforce), multiple outages, etc. In addition, companies must rehearse crisis management governance and response, including delegations of authority, at least two levels down from primary decision makers to ensure that delegates are well prepared to execute timely decisions in the event primary decision makers are not available. Companies should also include critical third-parties in select tabletop and simulations to gain a better understanding of interdependencies, points of co-ordination, and to assess effectiveness of their resilience plans.

[Instill Robust Governance Process to] or [Leverage Pandemic Command Center] to Prioritize Effectively : As time goes by, a widespread pandemic event will assert more pressure on existing resources, infrastructure and technology resulting in significant degradation of products and services. As resources become constrained, firms must constantly re-prioritize delivery of products and services that are absolutely critical to meet customer needs and ensure market stability. Equally important is a thorough understanding of activities that must be de-prioritized to allow effective re-positioning of available resources. Companies must have a clearly documented prioritization framework, inclusive of associated risk

tolerances, supported by a robust governance process to make risk acceptance decisions during an event. Additionally, firms must institute a back-end quality control process to identify and rectify errors if work is performed by employees with less tenure and cross training, or those operating in overtime conditions.

Establish Crisis Management Exception Approval Process: In the event of an extreme disaster there is a need to provide clarification on the established criteria, processes and procedures for submitting, managing and determining crisis and exception requests and to ensure access to the waiver program services that best meet the assessed needs of the individual during such event. There are multiple forms of these approval processes that expand upon HR, Financial, Business operations, communications and others. For example, company policy may not support ordering supplies, working overtime, working from home, family travel expenses, etc.; however, these may be admissible during this type of disaster.

What should companies do now

1. Communicate with employees to raise awareness, enforce policies (e.g., travel restrictions), and familiarize them with available tools and resources

2. Identify areas of high vulnerability, for instance those requiring high manual intervention for delivery of critical business products and services, with the potential to result in single points of failure

3. Confirm employees have the requisite capabilities, including access to requisite share drives, documents and other critical tools, to perform critical tasks remotely

4. Review relevant standard operating procedures and manuals and update them, as necessary

5. Monitor the situation and provide regular briefing to leaders on any emerging threats and issues

6. Ask employees to confirm and update contact information (primary and secondary) in company records, as necessary

7. Conduct brief pandemic training with employees to enhance employee and organizational preparedness to respond effectively

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Broad range of industry impacts from Coronavirus today:

▸ **Automakers**: 50% of all passenger vehicle manufacturing in Wuhan is related to the automotive industry. Multiple automakers and suppliers have suspended operations and have restricted employee travel

▸ **Airlines Industry:** China is the world's largest outbound international travel market and the second-largest domestic aviation market. Analysts are predicting that China's passenger and freight traffic could be down 70% for two or more weeks, before gradually recovering

▸ **Chemical Industry**: Global chemicals expected to be impacted significantly (as compared to as during SARS epidemic) as China's share in global economy and chemical industry increased manifold since 2003. Chemical manufacturers in other Asian countries such as India (Fertilizers and leather tanning chemical providers) and Vietnam are expected to fill the gap created by China in global exports

▸ **Logistics and Transportation**: About 80% of world goods trade by volume is carried by sea and China is home to seven of the world's 10 busiest container ports, according to the United Nations Conference on Trade and Development. Blank Sailing and slow port operations are expected to continue leading to supply chain shortages across many sectors

▸ **Components Manufacturing:** China accounts for about 10%~20% of component makers sales. If the suspension of Chinese plant operations is prolonged, companies are likely to manufacture some components in Korean and Southeast Asian.

The Coronavirus is a serious wake-up call for supply chain professionals to develop several alternate sourcing and manufacturing plans in different regions of the world to mitigate the risk from such adverse conditions.

Notes

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