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What Businesses Can Do In Response To The Coronavirus



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I write about risk and resilience both personal and professional.



Students line up to sanitize their hands to avoid the contact of coronavirus in Cambodia (AP ... [+] ASSOCIATED PRESS

The headline-making coronavirus that originated in China continues to spread with nearly 3,000 confirmed cases and 80 deaths across 12 countries according to the [World Health Organization](#). The potential business impacts could be devastating. What should all businesses be doing now?

Markets are already falling as the pandemic takes its toll on the global economy. [World Bank](#) findings suggest that a pandemic of the same severity as the 1918 influenza

pandemic could reduce global GDP by 5%. Another study predicted income losses of over 12% of gross national income worldwide, including losses of over 50% of the gross national incomes of lower-income countries.

While there are those companies that are prepared, organizations as a whole are vastly underprepared to respond to a pandemic. Pandemic preparedness programs are chronically understaffed and underbudgeted. Why? Because it's a low probability risk in any given year. [Insurance models](#) predict that the annual risk of an influenza outbreak on the scale of the 1918 pandemic lies between 0.5% and 1.0%.

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The trouble is that while annual probability is low, the potential impact is devastating. [Six pandemics](#) in modern history led to excess mortality rates ranging between 0.03% and 0.08% of world population. Today, that would be the equivalent of between 2 million and 6 million deaths globally. That is why quarantines and social distancing policies are now being imposed by governments.

As a result of travel bans and other measures, global businesses are already [taking a hit](#). Disney closed two theme parks. Starbucks shuttered 90 stores, with KFC, Pizza Hut, and McDonald's following suit. These businesses, and more, are enacting carefully crafted, complex business continuity plans as well as more specific pandemic preparedness plans that enable them to respond quickly. Many businesses will impose travel restrictions on employees as a precaution, which could have long-ranging implications. They will also be relying on business interruption insurance coverage and should check their coverage to confirm that it is sufficient. Legal protection including *force majeure* clauses, which will likely be triggered here, should also be reviewed at this time.

The travel industry is especially impacted as a result of decreased travel during the Chinese Lunar New Year season, which is typically the largest annual migration of people globally. Major hotel chains like IHG, Marriott, and Accor are waiving cancellation fees. Airlines are offering refunds. And China's largest travel agency Trip.com is providing free cancellations on hotels, car rental services and tickets for tourist attractions; [their stock dropped 18% last week](#) in New York.

There could also be a devastating impact on global supply chains if social distancing is mandated requiring factory employees to stay home and not report in to work. Many Chinese companies are taking the precaution of mandating social distancing themselves by ordering workers who were in the affected areas to work from home, including Bytedance (the company that owns TikTok) and Tencent. But work-from-home strategies won't work for manufacturers like [automakers](#) and the many organizations that rely on production supply chains out of China. [Renault](#), for example, is already feeling the pinch. Businesses that source critical supply components out of China should assess their stocks, think about stockpiling supplies from at-risk countries now and explore workarounds with alternate suppliers.

What can all businesses do now? Update your pandemic plans. Talk to employees. Hysteria is also contagious. Communicate what your plans could mean for employees including health and risk education, social distancing through work from home where possible, and stockpiling of supplies. Let them know you are prepared and are protecting them.

What can everyone do now? Everyone should have a personal plan that includes knowledge of how to prevent the spread of infection and supplies like stockpiles of food, water, medicine and hygiene tools like face masks at home. This should be done now before there is a run on supplies (think about those empty shelves before a hurricane).

With a focus on preparedness and swift action, we can help lessen the spread of a pandemic and reduce the business as well as the human impact.

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