

Business Continuity Planning for an Influenza Pandemic: Case Study from a Third Party Logistics Service Provider (3PL)

Introduction

This case study is one of ten written as a part of a study undertaken on *Business Continuity Planning for an Influenza Pandemic*. The objective is to raise awareness among business enterprises in Ireland of the need for business continuity planning (BCP) for the possible arrival of a 'flu pandemic in Ireland.

The case study is based on a real company, but is fictionalised in some respects. Key details, including the company's name, have been altered to protect its identity.

As this company, like many in Ireland, is only beginning to appreciate the need to plan for an influenza pandemic, its plan is not yet complete. The case study necessarily reflects this continuing planning process.

Background

- Anywhere Logistics Limited (ALL) is a 'third party logistics service company' (3PL) i.e. a company which provides logistics services to companies including: inbound logistics; warehousing; order picking; and customer delivery services.
- Its clients include a number of well known food and consumer goods suppliers for which it brings stock from locations in UK and Continental Europe. It holds stock in 3 warehouses, processes orders and delivers to over 5,000 delivery locations throughout Ireland.
- While ALL employs the staff who manage and operate the warehouses and order processing directly, it subcontracts deliveries to various transport companies, involving over 500 vehicles.
- ALL already has a detailed business continuity plan in place to address situations such as total computer failure, warehouse fire, major traffic accident involving a subcontracted vehicle or other similar disaster situations. However, planning for a 'flu pandemic was not, until now, seen as a real threat.
- ALL's CEO asked the internal Project Manager to prepare an initial report on the potential impact of a 'flu pandemic on the company, and to recommend plans to ensure the company is adequately prepared.
- The Project Manager's initial research and assessment indicated the following:
 1. Information sourced indicated that:
 - 40% of staff could be absent as a result of a 'flu pandemic for various reasons related to the pandemic.
 - History suggests the pandemic comes in waves of several weeks in duration.
 2. This level of absence among ALL's staff and among transport subcontractors would cause ALL to have difficulty meeting its service commitments.
 3. If ALL's customers were affected similarly, causing disruption to supplies, then, based on current stock levels, ALL would have access to ambient stock (i.e. stock such as canned goods that can be held at ambient temperature) for 6 weeks and chill stock just for 1-2 weeks.

4. In the event that work dried up a few weeks into a pandemic because of a lack of supplies, ALL would have to consider suspending operations to minimise financial exposure. The fact that the major part of ALL's work is subcontracted would mitigate the financial exposure. However, suspending operations could place contracts with customers at risk, and could make it difficult to re-engage subcontractors (who might have obtained work elsewhere) after the pandemic.
 5. The initial impact assessment also suggested that, without being alarmist, the pandemic could affect a number of ALL's key management team. Planning for deputies and succession would be required.
- Inclusion of plans for an influenza pandemic within ALL's Business Continuity Planning became a clear priority. A project team was established. Using the *Business Continuity Planning for Influenza Pandemic* published by Forfás, the team began the planning process as set out in the steps below.

1: Planning Activities

Planning involved the following steps:

1. The project team developed a planning process, including a provisional budget for the preparation and implementation of the plan, for approval by the CEO and Senior Management.
2. The project team identified various sources of information (e.g. Department of Health and Children, Health Service Executive, World Health Organisation), about the pandemic threat and impact, and collected and disseminated this information among the team.
3. Logistics professional bodies in Ireland and UK were contacted to establish the availability of any planning guidelines particular to the industry.
4. Employee representatives were contacted and made aware of the issues. Their cooperation sought for the planning process.
5. ALL's customers were contacted to request details of their business continuity plans in the event of a 'flu pandemic.
6. Based on the WHO 'Alert Framework' the project team identified trigger points to be included in the plan.
7. The project team considered a 'test exercise' for the plan, but, to avoid unnecessary panic, agreed to postpone the test until the threat became more imminent.

2: Issues to be Addressed

1. The project team identified critical activities within ALL's business, essential for business continuity. These included:
 1. Goods inwards vehicles and drivers
 2. Warehouse 'put away' and 'picking' staff
 3. Order processing staff
 4. Delivery vehicles and drivers

2. The project team assessed the likely impact of 40% absences in these critical areas.
 - With warehouse management and order processing tasks, which are staffed with ALL employees, the impact would be to reduce productivity in proportion to the numbers absent. However, as they anticipated that supplies of products might be reduced, it was felt that the warehouse and order processing processes could handle remaining workloads in normal working hours. Where they could not, staff could be required to work overtime.
 - For goods inwards and delivery activities, the project team asked larger subcontractors to indicate their business continuity plans to cope with a pandemic. However, the nature of the transport sector, which has many small operators with limited administrative management support, has meant that little useful information has been forthcoming. Accordingly, the project team has made its own assessment of the possible impact. It has assumed that, with 40% absences, the availability of transport resources would be reduced by a like proportion. And, as with internal resources, the project team has assumed that the available transport resources would be capable of dealing with the reduced volume.
3. The project team has contacted major customers and asked them for their business continuity plans in relation to continuity of supply. To date, two major customers have responded. One is a major multinational with a range of products which would not be considered 'critical' during a pandemic. This company could cope with a reduction in sales and distribution for its products during a pandemic, and has undertaken to keep ALL advised of its plans. The second company is also a major multinational, but in this case with food products which would be considered essential. It is currently assessing market priorities and options such as stock building and has also undertaken to involve ALL in its planning process. A third major customer is also a food company; the project team is still seeking a response to its request for information.
4. Based on the information received to date and on the assumptions made, the project team has prepared financial impact statements for the business for review by the senior management team, in order to agree points at which business might have to be suspended and the financial and business risks associated with such a decision.
5. ALL's employees have limited direct contact with suppliers or delivery customers with orders being processed on-line. Most of this contact is with the inbound and delivery drivers. Accordingly, the need to further limit face-to-face contact is limited. In relation to administrative employees, the project team has identified those tasks which could be managed from home, and has identified the IT resources required to make this happen.
6. The project team has identified employees with special needs (e.g. older or asthmatic) to receive special medical advice.
7. The team has analysed business related travel for the last year as a guide to action steps required. Most travel related to visits to customers for regular management and coordination meetings. It has been agreed that in the event of a pandemic, such meetings would be held through teleconferencing.
8. The financial controller has been asked to develop a plan to manage day to day financial matters. This plan will be submitted to the project team for review and inclusion in the overall plan.

3: Measures to Underpin Continuity

1. With appropriate medical advice, the project team has developed policies for returning to work after infection, and for those showing symptoms while at work.
2. It has also developed policies to facilitate working from home, including expenses related to telephone calls and installation of broadband.
3. A contingency plan for key employee replacement in event of illness has been prepared.
4. As the operation of the warehouse is based on flexible working practices, with all employees qualified to use forklifts and capable of performing other warehouse tasks, no plans for cross-training were required.
5. A communications plan has been developed. This includes:
 - i. Contact details have been obtained for all staff, including home and mobile numbers and e-mail addresses, for use in an emergency.
 - ii. A website designer has been briefed to prepare an internal company website which can be used to disseminate up-to-date information for employees in the event of a pandemic.
 - iii. A briefing package is being prepared to inform and educate employees in the event of a pandemic including information for individual employees and their families to be circulated in the event of a pandemic, on topics including: hygiene; identification of symptoms; and policies on absence from work.
6. ALL's insurance broker has been asked to review all policies and to advise on any necessary amendments to cater for a pandemic.

4: Response to Workplace Risk

1. ALL's cleaning is conducted by a contracted agency. The project team has contacted this agency for details of expected continuity plans in the event of a pandemic and assurances that the contract cleaners have the necessary knowledge and training to cater for a pandemic. Mindful of the fact that contract cleaners will also be affected by employee absences, just as demand for their services rises, the project team has recommended that selected internal staff be receive training in relevant cleaning skills.
2. Stocks of hand wash, towels, tissues and cleaning materials have been ordered.
3. Based on advice from the various information sources, policies to reduce face-to-face contact internally, particularly in ALL's open plan administrative office and warehouse floor, have been developed.

Challenges of Planning for an Influenza Pandemic

1. Although a logistics company is part of a complex supply chain and, therefore in theory, has multiple contact points with suppliers and delivery points, in reality, the number of face-to-face contacts is relatively few and can be controlled. The biggest challenge to developing a comprehensive business continuity plan for an influenza pandemic has been obtaining useful information from the various contacts in order to develop the plan.
2. The nature of the work of a logistics company is that the volume of work should decrease in proportion to the resources available and therefore should be manageable. The risk is that, as a service provider, any service failure could be held against ALL when the pandemic is over and normal business resumes.
3. Planning without risking unnecessary panic is a challenge.

Conclusion

ALL's managers are relieved that they have identified the need for business continuity planning for a 'flu pandemic in time to comprehensively prepare. The complexity of the planning required would not have allowed this to be a 'last minute' process.