The new normal: lessons learned from SARS for corporations operating in emerging markets

Brennan Day
Niagara University, Niagara Falls, New York, USA

Ruth Burnice Mckay
Carleton University, Ottawa, Canada

Michael Ishman
Niagara University, Niagara Falls, New York, USA, and

Ed Chung
Elizabethtown College, Elizabethtown, Pennsylvania, USA

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Abstract The modern industrialized world was completely caught off guard by the recent SARS outbreak. Fortunately, for most organizations, the impact has been short lived, but management has been provided with a reminder of the impact of the external environment in a world of ever increasing globalization. As seen with the SARS outbreak, a lack of preparedness can have devastating effects on business and warrant inclusion in a business definition of a crisis. This paper uses the recent SARS epidemic as a background to highlight the importance of crisis planning, particularly in emerging economies, and suggests how organizations can address these concerns.

Introduction
The implementation of environmental scanning in strategic planning is critical to the survival of an organization. That businesses operate in the context of some larger system, not a vacuum, is today part of the accepted business perspective. However, we ought to recognize that scanning and the related processes of contingency planning presume our ability to discern future patterns. Many well-known business mistakes, such as the Big Three’s disastrous handling of the energy crisis in the 1970s, can be attributed as much to inadequate managerial skills as ignorance about environmental trends. After all, it was not any existing predators that eradicated the dinosaurs, but instead it was something never before seen and hence could not have been anticipated. The fact that the meteor was not in the dinosaur’s vernacular did not prevent a meteor from changing the course of earth’s history. The scope of our environmental scanning activities expands as our knowledge increases. Such scanning is informed by new developments that have often been prospering just below the corporate radar screen.

The recent (and arguably not over) severe acute respiratory syndrome (SARS) outbreak is a case in point. Even though contagious diseases are well-known, and their fatal impact acknowledged, e.g. pneumonic plague, Spanish-flu and bubonic plague, the world was caught completely off-guard by the SARS outbreak. Despite superhuman efforts by the many health-care workers around the world, it was months (and many deaths) before the World Health Organization pronounced the epidemic temporarily halted.
The health-care establishment could not have predicted the outbreak. As devastating as it was for many businesses, strategic planners would have to be psychic to have anticipated the disease and to incorporate it in the planning process. However, it would be useful to delineate lessons that can be learned from the recent SARS (and other) outbreaks, and discuss how strategic management may benefit from an appreciation of these lessons. In preparation for unforeseen external events organizations should have a plan in place to reduce the influence on the organization and provide an operation manual in the event of a crisis. However, many Fortune 1,000 firms do not have a crisis-management plan at all (Hickman and Crandall, 1997). As seen with the SARS outbreak this lack of preparedness can have devastating effects on business and warrant inclusion in our business definition of a crisis. A crisis is defined as a low probability/high consequence event, caused by human actions, that threatens the most fundamental goals of an organization (Weick, 1988). Mitroff and Pearson (1993) categorized crises according to two dimensions: normal to severe and technical/economic to human/social. However, their crisis analysis included only industrial health problems, not epidemics. There is a need to broaden the scope of crisis to include epidemics. Our paper aims to provide this addition.

This paper will start by presenting background information on the SARS epidemic and the impact on organizations, especially those operating in emerging markets. Next, characteristics of countries termed emerging markets will be identified and the inherent risks and challenges organizations face operating in these markets will be discussed. Third, we offer recommendations for minimizing the impact of operating in an emerging market where contagious diseases are a reality. This represents an important first step towards developing (and implementing) a robust contingency plan for purposes of business continuity.

Background
On the basis of purchasing power parity, emerging and developing economies account for 44 percent of the world’s economy (Gingrich, 1999). Conservative predictions conclude that by the year 2020 the developing world will account for over 60 percent of the total world output (Belous et al., 1996). Given the substantial growth in these economies, it is not surprising that the US Department of Commerce’s International Trade Administration recently predicted that the greatest commercial opportunities will be found in the Big Emerging Markets such as The People’s Republic of China (China), India, Singapore, Mexico, Vietnam, or South Africa (Qureshi, 1996). China provides perhaps the clearest illustration. For example, in 2002 China received $52 billion in direct foreign investment, overtaking the United States to make it the world’s biggest recipient of direct foreign investment (Buckman, 2003). According to the US Bureau of Economic Analysis in 2002, China and Hong Kong accounted for nearly a quarter of the income of US overseas subsidiaries (Karmin, 2003). However, the recent SARS outbreak has shown how quickly commerce can be impacted in the global market. According to Richard Miller, an economist and vice president of the World Travel & Tourism Council: “Never before has there been a massive impact of this nature other than a war shutting down an economy totally” (Prystay, 2003). As of June 20, 2003, outbreaks of SARS have occurred in 32 countries, resulting in 8,461 individuals being infected and 804 subsequent deaths (World Health Organization, 2003).

Economists are predicting that China, as a result of SARS may see GDP growth drop below 7 percent to its lowest level in nearly a decade (Leggett, 2003). Some areas
have been hit more harshly than others. In the Chinese province of Guangdong, the
place where SARS is believed to have started, the country’s largest export-trade fair
saw orders drop in April nearly 50 percent (Leggett, 2003). In Beijing, draconian
measures were imposed to try to stem the spread of SARS. Public schools and
universities were closed, migrant workers were told to stay in the capital and
make-shift roadblocks were set up in villages to prevent city dwellers from entering
(Kaufman and Chen, 2003). In May, Hong Kong retail sales were down 80 to 90 percent,
restaurants and their suppliers were going broke and hotel occupancy rates were in the
single digits. Airlines were also severely impacted. Cathay Pacific Airway during this
time dealt with an 87 percent decrease in air traffic from a year earlier (Meredith, 2003).
Such a decrease in travel is not surprising given the overall drop in business air travel
globally. In a survey conducted by the Society for Human Resource Management in the
USA, based on 423 human resource professionals, 20 percent reported cuts in employee
travel as a result of SARS (USA Today, 2003). Kingsway International Holdings
Limited, a Hong Kong investment holding company that engages in securities
brokerage, corporate finance advisory services, fund and asset management, securities
investments, and strategic investment in technology-related businesses has seen
earning per share drop from $0.44 in June 2002 to $0.002 in June 2003. The company
attributes the results to the difficult operating conditions including the influence of
SARS (Infomart, 2003). March sales of desktop computers in Hong Kong plunged 37
percent, laptop sales dropped 22 percent and mobile-phone sales fell 16 percent
(Leggett, 2003). Cell phone sales dropped 40 percent in Guangzhou, the Shanghai auto
show only drew one quarter of its expected visitors and Motorola shut its 18-story Asia
Pacific headquarters building in Beijing (Engardio et al., 2003).

Businesses located in developed nations have also been impacted. In Australia,
some small-to-medium sized businesses could face losses of up to $1 million due to
SARS. Westpac Bank has predicted that SARS could reduce Australia’s economic
growth by 0.3 percent (Chong, 2003). Multinational corporations are also being
impacted. For example 3M, the makers of the N95 face mask, one of the few face masks
that are 95 percent effective at filtering out airborne diseases like SARS, does 21
percent of its $16 billion in annual sales in the Asia Pacific region. J.P. Morgan lists 3M
as well as Intel and United Technologies as American companies that could be hurt by
SARS (Freedman, 2003). Other companies suggesting revenues will be down as a result
of SARS include American International Group Inc., Yum Brand Inc., Goodrich Corp.
(Karmin, 2003) and Cara Operations Ltd. (Flavelle, 2003). Another industry feeling the
impact of SARS is the phone makers. Motorola, a company holding 14 percent of the
Chinese mobile phone market, has warned that it may fall short of sales and profit
forecasts for the second quarter and year end citing weakening demand in Asia
because of SARS (Timmons, 2003). Four Season’s Hotel Inc. has a net loss in the first
quarter of 27 cents per share compared to net income of 22 cents per share a year earlier
(Infomart, 2003). SARS is seen as a key contributor to this loss. The city of Toronto also
provides an indication of the economic impact of SARS claiming the cost to the
government for health care and income compensation for those quarantined for the
first six months of 2003 totaled US$860 million (Chowdhury, 2003).

While the above figures are indicators of the effect of SARS, the true impact may
never be known. It is believed that China, in order to maintain a semblance of stability
and economic prosperity at the time of changing government leaders, covered up the
truth about the extent of SARS. It went so far as to remove SARS patients from hospitals to deceive inspectors from the World Health Organization (Jue, 2003). In April, Jiang Yanyong blew the whistle on Chinese authorities’ deceit regarding the truth about SARS in Beijing. In a letter to journalists, when Beijing was saying that only 12 people in the city were infected with SARS, Dr Jiang disclosed that the true number of SARS patients was at least 100, including ten who had died. In response to Dr Jiang’s revelation the health minister and Beijing mayor were fired. For a regime with a long history of deception and denial, this event has been viewed as a revolution in official openness (York, 2003). In a step to reinforce openness the Chinese government has threatened to execute anyone who knowingly spreads the SARS virus (Dean, 2003). However, this may have the reverse impact of making people hesitant to admit they have SARS for fear of punishment. By lying about the true number of SARS patients, Beijing damaged what little faith international economist has in its numbers. For example, repeated yearly claims of 8 percent annual GDP may be questionable. For the new Chinese leadership the incentive to cheat is even greater than usual. Strong GDP growth has been the key to the Communist party’s hold on power. The new government would not want to be associated with instant economic failure (August, 2003).

In addition to the SARS outbreak there is news that another deadly virus has emerged in southern China through the winter. The Associated Press (2003) reported an outbreak of encephalitis in southern China that has (at time of writing) affected several hundred people and resulted in more than a dozen deaths. At the same time as this new disease is spreading in China and Hong Kong, the government in Hong Kong is pushing ahead with tough new security laws which journalists fear could inhibit future reporting of crisis. Under the new legislation reporters could well be jailed for publishing details of state secrets and confidential communication between Hong Kong and Beijing. Thomas Crampton, president of the Foreign Correspondents Club of Hong Kong stated that in a country where health statistics are a state secret the legislation “puts a pall of uncertainty over reporting in Hong Kong. It encourages self-censorship” (Korporaal, 2003). For businesses operating in this and related regions, another outbreak and the possibility of another Chinese cover up could not be good news. While it is hard to beat the wage rates of 50 to 80 cents an hour in China, it is a constant corporate challenge to operate in an environment where propaganda and obfuscation are used as government marketing tools.

Given the rapid onset of SARS, the presence of other contagious diseases in the world and the government and infrastructure challenges for corporations operating in emerging markets, it is essential that corporations are prepared for future contagious disease outbreaks. It is not clear if SARS can be eradicated. The disease could gain a toehold in the Southern Hemisphere, or it could lie low until cold weather returns (Regalado, 2003). While SARS is taking the center stage, areas in Europe are dealing with another disturbing virus that is spreading among chickens and in some cases humans. The Avian flu has been found in the Netherlands, Belgium and Germany. The virus, which rarely causes serious illness in humans, infected 80 people who came in contact with infected birds (Fuhrmans, 2003). It is also conceivable that corporations may be operating in regions of the world where they will face bio-terrorism. As an indication of the possibility of such sabotage the US Department of Justice and the Federal Emergency Management Agency staged a mock terrorist attack on Chicago airports in May 2003. This is the second such exercise, the first being staged at a
Denver concert hall in May 2000. In this year’s exercise, terrorists sprayed unseen germs over Chicago airports, infecting thousands with a lethal pneumonia. The exercise was undertaken to determined level of preparedness in the event of bio-terrorism (Chase, 2003).

According to the Australian State Chamber of Commerce chief executive officer, Margy Osmond, “the lack of preparation by many businesses in terms of handling workplace issues and risks arising from the (SARS) virus is … a concern”. She also notes that 23 percent of corporate respondents had a risk management plan to deal with potential disruptions created by SARS but only 4 percent had made this plan known to their staff. Benefits of a fast response can be seen in the fast reaction of the Canadian health authorities dealing with SARS preventing the outbreak from reaching unmanageable numbers. According to Castillo-Chavez, a mathematical epidemiologist at Cornell University, if the Canadian outbreak had been left to run unchecked it could easily have infected as many as 200,000 in the Toronto area (Brown, 2003). The Toronto SARS experience is a warning that even a giant thriving city can be laid low by a nasty and highly contagious disease (Vogel, 2003).

Since emerging markets are increasingly important to the world economy and are at the same time susceptible to outbreaks of infectious diseases, we need to understand how we are linked together on an interdependent global level. That interdependency is highlighted in the following section.

**Emerging market economies**

The days of national economies existing as relatively self-contained entities are rapidly disappearing. Individual economies are no longer isolated from each other by barriers to cross-border trade and investment – by distance, time zones, and language – and by national differences in government regulation, culture, and business systems. National economies are merging into an interdependent global economic system and, consequently, the rich industrial countries are dominating the world economy relatively less than they used to.

At the beginning of its fiscal year 2003 (ending on June 30), 155 countries had been identified by the World Bank as developing economies (International Bank for Reconstruction and Development/The World Bank, 2003, p. 243). The developed world, however, currently represents more than 60 percent of total world output, while the developing nations represent less than 40 percent. This proportion is poised to change in the near future though, with conservative projections indicating that by 2020 the situation could be reversed, with the developing world representing well over 60 percent of total world output (Belous et al., 1996, p. 2). The 25 developing countries that have been the frontrunners in economic advancement have been designated as emerging economies by *The Economist*. This classification is based on both the gross domestic product of each nation and the capitalization of their stock markets. These 25 countries have historically played an unparalleled role in the global economy – a role that is well positioned to steadily expand in international importance.

The emerging economies are home to approximately 75 percent of the world’s population and the population growth rates of these economies are the highest of all countries. The five largest developing nations, home to 2.6 billion people, have a combined population that is four times that of the G-7 countries. The populations of
China and India alone, 1.2 billion and more than 1 billion respectively, easily outnumber those of many developed countries combined (Cavusgil et al., 2002, pp. 10, 19).

Many of the world’s developed countries now have birth rates below those that are required to maintain their present population levels. Furthermore, individuals in the developed world are living progressively longer and leaving the work force earlier. With fewer workers generating output, and with more of the population dependent on those who do, income growth, savings levels, and economic growth will all be lower. In contrast, the populations of emerging countries are comparatively young. The working-age population in these markets – which will be the portion of the population driving economic and consumption growth – will grow at rates three to four times that of the developed world. The emerging markets also offer a large pool of low-cost, unskilled labor and it has become increasingly commonplace for large, multinational corporations to transfer their assembly and production plants from developed locations to these areas (Gingrich, 1999).

The size of the consumer markets in the emerging countries now rivals those of the developed markets in many cases. For instance, the combined gross domestic product of the ten largest emerging markets is now nearly two-thirds the size of that of the G-7 counties in purchasing power parity terms. Five emerging economies – China, India, Brazil, Mexico, and Indonesia – are among the 12 largest economies in the world and have a combined purchasing power already half of that of the G-7. According to the International Monetary Fund (IMF), developing countries will achieve a growth rate of more than 6 percent per year over the next two decades, whereas industrialized countries are likely to average 2.5 percent (Cavusgil et al., 2002, p. 17). If just three of the Asian emerging economies – China, India, and Indonesia – are able to maintain this growth rate of 6 percent per year, the Organisation for Economic Co-operation and Development (OECD) has estimated that by 2010 approximately 700 million people in those countries will have an average income equivalent to that of Spain today. As a group, they are roughly equivalent in population to the USA, Japan, and Europe combined (US Department of Commerce, 1996, p. 22). Given these trends, multinational corporations (MNCs) face profound changes in the economic landscape. Over the next 10 to 15 years, most of the total world growth in consumption of consumer goods will likely be concentrated within the emerging economies.

The emerging markets have also become major suppliers of many of the natural resources that the industrialized world relies on. For example, Mexico, Venezuela, and Indonesia, in addition to several Middle Eastern countries, are major sources of oil – still the most vital energy source for developed countries. Similarly, Brazil, Russia, and China, along with developing countries Papua New Guinea and Jamaica, supply half of the world’s bauxite (aluminum ore) (Day, 2003, p. 21). Looking to the future, the supplier role of the emerging countries will expand since the exploitation of natural resources in many of the wealthy countries has reached its limit. Either the oil fields, mines, or forests have been tapped out, or environmental regulations reduce new exploration and development. Industrialized nations are therefore becoming increasingly dependent on emerging markets to ensure that sufficient levels of natural resources are available.

Overall, development in the emerging markets has been steady, but none of these countries have been fortunate enough to avoid certain growing pains along the way. One historical trend of many emerging markets is the inability of their currencies to...
hold value. Rather than attack the principal causes of currency depreciation, many
governments opt instead for a short term, cosmetic solution. After several years of
decreasing currency value, they might print a new currency that “lops off two zeros”
from the denomination of the older currency (Hooke, 2001, p. 28). In 1993, for example,
Mexico initiated the new peso that was worth 1,000 old pesos. These superficial actions
diminish investor confidence.

Additionally, widespread corruption exists in virtually all emerging markets, with
Hong Kong and Singapore being the most notable exceptions. Many politicians view a
government career as similar to a private sector job, with one primary goal in mind:
making money. With many top officials setting a poor example, low-level bureaucrats
are active in demanding payments for business licenses, permits, and concessions.
Since public sector jobs, as compared to a private sector position, have low salaries and
no stock options, the difference is often made up through bribes and insider deals.
Public employees and elected officials accept these prerequisites in exchange for
government contracts, licenses, and privileges (Hooke, 2001, p. 28).

Environmental issues in the emerging world often run unchecked. Due to their size,
their growing industrialization, and the urgency they attach to business expansion and
job creation, many emerging markets have barely begun to put in place effective
environmental programs. They often lack, or claim to lack, the financing capability to
address the environment at this stage of their development, especially in light of
competing priorities such as infrastructure.

Despite these ever-present risks and challenges that exist in the emerging world, the
staggering economic impact of many of these countries coupled with their substantial
population growth has created a growth potential too significant to be ignored by the
developed world. Accordingly, many private sector and government analysts continue
to point to emerging markets as a potential major source of Western economic growth
and profit in the coming years (Day, 2003, p. 26). Over the past three decades emerging
markets have consistently shown growth rates well above those of more mature
economies and this trend is expected to continue. The 25 economies that make up the
emerging world will almost undoubtedly have an even greater impact on the overall
global economy throughout the foreseeable future.

Emerging markets can present tremendous opportunities as well as unforeseen
challenges for global organizations. The recent SARS epidemic highlights how a
disease centered in countries identified as emerging can create formidable obstacles for
managers. In order to examine the potential long-term effect of SARS on emerging
economies, an examination of infectious disease is required. The next section provides
a brief historical look at the impact of epidemics on communities and organizations.

The inclemency of infectious diseases
Despite the advents of modern medical science, infectious diseases such as malaria
continue to wreak havoc. “If seven Boeing 747s, filled mostly with children, were
crashing into Mount Kilimanjaro each day, something might be done about it. That, in
the memorable phrase of Wen Kilama, a Tanzanian researcher, is roughly the scale of
the carnage wrought by one disease, malaria, mainly in Africa” (The Economist,
2003). More recently, the spread of SARS captured center stage, due as much to the disease’s
procivity as to media’s desire for the next major headline. Augmented or not, that
SARS has been (and may continue to be) destructive is unequivocal. Indeed, because
most of the inflicted jurisdictions are important developing economies, SARS poses serious implications for businesses around the world. As Surowiecki (2003) noted in the New Yorker magazine, “Before SARS, China was going to be the factory floor to the world. Now it has to worry about becoming the sick ward of the East”.

It is important to note, however, that menacing as SARS is, it is but one epidemic in a long series of infectious outbreaks that have plagued human history. And in spite of its highly vilified image, SARS has caused relatively minor damage compared to past epidemics. As one commentator puts it, “SARS has not yet reached the scope or virulence to be described as a panoecism. So far it is a fleabite compared to previous plagues. You are more likely to be struck by lightning than SARS” (Howard, 2003).

A history of plagues is beyond the scope of this paper. However, it is important to offer some background on infectious diseases and their impact on humanity over the centuries. We also wish to point out that, quite aside from SARS, infectious diseases (some with much more deadly and rapid effects) continue to threaten the world.

While most have heard of the Black Death and Yellow Fever, perhaps the most famous plague of all happened 25 centuries ago in Athens (430-426 BC). Though it is impossible to know with certitude what the disease actually was, it was of such devastation that even vultures refused to touch the corpses of the dead (Howard, 2003). Fast forward to the 1300s, Black Death swept across Europe. As “recently” as the seventeenth century, the Great Plague of London killed 70,000 people, followed by the 1894 plague that killed up to 100,000 people in China and Hong Kong. Indeed, within the next 20 years, plagues had killed more than 10 million people worldwide. Lest we thought the plague is a thing of the past, outbreaks of bubonic and pneumonic plagues in 1994 killed more than 200 in India (King, 2001). Recent reports by the Washington Post suggest that rotaviral infections, a virus that causes acute gastroenteritis, are fast becoming an emerging problem in the former Soviet Union.

North America has never been exempt from the devastations of infectious diseases. The advance of European cultures over first people in North America, such as the Mohawks and Algonquin nations, was due to the importing of diseases such as tuberculosis (TB) that devastated the established cultures killing millions of people. Yellow fever ravaged Philadelphia in 1793, killing thousands in the then capital of the USA (Dalrymple, 2001). In 1918 and 1919, Spanish influenza killed more than half a million people in the USA alone (King, 2001), and many insurance companies saw their profits wiped out and had to reduce dividend payments because of the claims made from the illness (Bell, 1997).

Today, TB is perhaps one of the most lethal infectious diseases. Even though 2002 was the tenth consecutive year of declining TB cases in the USA, each year some two million people die from TB and an estimated one-third of the world’s population is infected with the bacteria (Center for Disease Control, 2003). Other diseases such as malaria and Ebola continue to claim the lives of thousands, and since they occur predominantly in under-developed economies with poor infrastructure and health services, their effects are staggering. A disease like Ebola, for example, can have mortality rates as high as 90 percent (Washington Post, 2003).

It is informative to note the difference between epidemics and endemic diseases, though with the ease of modern travel and human contacts, the lines are somewhat blurred. Endemic diseases are those that are localized in certain regions. Unlike epidemics which really have no “home base,” so to speak, endemic diseases are
associated with particular geographic locations (Surowiecki, 2003). Usually because of inadequate infrastructure, these jurisdictions are ill-equipped to stem the disease. The disease not only negates current economic growth but also acts as a barrier to future economic growth since investment flows tend to avoid these regions where companies remain concerned about the health of their employees.

As business becomes increasingly globalized, companies large and small will encounter infectious diseases of both the epidemic and endemic varieties. In the latter case, it may well be in business’s interest to work with local and global health officials to improve local infrastructures, such as hospitals and health services, not only as a means to generate goodwill and promote good corporate citizenship, but also as a way to help create a more hospitable operational environment. For example, the state-run China National Offshore Oil Corporation donated 10 million renminbi (just over US$1 million) to aid research on SARS.

One of the most widespread and publicized epidemics today is HIV/AIDS. While the disease may be well publicized, its connection with the business community is not often elaborated upon. In fact, otherwise innocuous actions on the part of businesses have a hand in spreading the disease. For instance, truckers working for long-distance transportation companies have been identified as a major transmitter of the disease throughout Africa and Asia. HIV/AIDS also has devastating effects on businesses themselves. Barclay’s Bank of Zambia, for example, reported losing more than a quarter of its senior managers to the disease. A mattress company in Zimbabwe hires and trains three people for every position due to attrition by the disease (Forstater et al., 2002). AIDS has become South Africa’s biggest single killer. In a 2001 South Africa’s Medical Research Council calculated that 40 percent of the deaths of those aged between 15 and 49 in the previous year were due to the AIDS pandemic. In recognition of the impact HIV/AIDS is having on its work force, DaimlerChrysler South Africa has, since 1999, provided funding for standardized treatment for HIV-related diseases and anti-retroviral medication for its employees (DaimlerChrysler, 2003). According to the African vice president of the World Bank, Callisto Madavo, HIV is the single greatest threat to future economic development in Africa. Of equal concern though is the growth rate of AIDS in Asia. AIDS is growing fastest in Asia leading many health experts to believe that it may overtake Africa in the number of people infected with HIV. This will create a vexing problem for investors in Europe and North America as their economies peak and they increasingly turn to the Third World for profits. Inexpensive labor is appealing but what if you cannot find employees to complete an order (Jeter, 1999)?

The above discussion seeks not to provide a chronological listing of infectious diseases, but to highlight the dangers the world continues to face. Businesses, indeed the world community, cannot afford to be complacent in the efficacy of modern medicine and assume that SARS is an anomaly. Infectious diseases are a fact of life and will continue to impact human society in the future. It is imperative that businesses develop coherent strategies to deal with such diseases when necessary. There should be no excuse for being “caught off-guard”. The following section will look at specific impacts of the SARS epidemic on commerce and present suggestions for organizations to protect themselves against similar future spread epidemics. In this section a distinction is made between the impact on large and small organizations.
Suggestions for contingency planning in face of epidemics

So far we have attempted to provide a comprehensive discussion of how infectious diseases can gravely impact a firm’s ability to function smoothly, unless adequate contingency planning is incorporated into its strategic management function and crisis management plan. In this section, we attempt to provide suggestions to minimize the impact of operating in an emerging market where contagious diseases are a reality.

There are several areas that a contingency plan should address, in order to deal with the kind of epidemics that we have recently witnessed. Further work will be needed to more fully develop the precise parameters of these dimensions, but for our purposes, we offer below some of the key areas that we feel a contingency plan should seek to address.

**Inventory control and sourcing**
Businesses will need to re-examine the level of inventory, so as to provide some level of buffer in case of emergency. Certainly we recognize that this adds to the cost of doing business, but we suggest that operationally this merely represents an additional variable in modeling the optimal level of inventory necessary. Furthermore, businesses will need to assess whether it is practicable to secure their supplies from more than one source. Diversification, as we know, spreads the risk. As much as possible, we need to incorporate technology into our operations, and re-evaluate location attractiveness with an eye towards the ease of technology replication as well as emergency backups.

**People management**
When opportunities arise move employees around global locations. These moves can be for short stints. The objective is to share understanding of competitive advantage. This may help upper management in re-establishing their competitive advantage in an alternative location. It is also important that values central to the business be ingrained in the workers to the extent possible. In this instance, continual efforts of re-education may be a useful step to take.

We posit that companies would be concerned about how its workers are affected by the epidemic in terms of health, safety, and even emotion. As major epidemics such as SARS could not be foreseen, it is imperative that managers take an emergent approach to plowing through the problem. Companies in the many emerging markets where government regulations and transparency are lacking may particularly need to do more than simply adopt the official government line regarding the effects of the epidemic.

**Localize management and adopt open communication**
To the extent possible, businesses should consider hiring local management talents as well as rotating key personnel to multiple locations of operations so as to build a solid base within the company from which local knowledge and expertise can be tapped. It is critical also that this knowledge is not only the exclusive domain of senior management, but that open communication be instituted throughout the company to enable workers at all level to know what is going on and what to expect. One of the unfortunate results of secrecy is that it often leads to unfounded rumors that only serve to aggravate a dangerous situation.
Health policies
Corporations need to revisit their health plan to consider the need to establish health policies for suppliers. The “we didn’t know” defense does not work too well any more in today’s world of instant communication. Businesses need to not only have in place their own health policies related to epidemics, but should determine whether their suppliers have adopted effective health policies to deal with such crises.

Discussion and conclusion
Regardless of all that we know, we acknowledge the impossibility of predicting future events. Consequently, companies should not waste time and resources attempting to plan for patterns that are simply unpredictable. Rather, it is critical that companies pay appropriate attention to contingency planning (such as crisis management plans); the basis of which are already well understood. What we have done is to tease out the important lessons from the SARS epidemic. We have looked at its impact on organizations operating in emerging markets and drawn suggestions from this event. Crisis management plans must be robust enough to handle all forms of the unexpected. As events arise that give us insight into the unforeseen, it is essential that organizations reexamine their crisis management plans to see if they were designed effectively enough to handle the unique features of our evolving environment. For those organizations that have operated without a crisis management plan, SARS is a reminder of the importance of designing such a plan. The SARS epidemic also shows how a crisis management plan must be integrally connected with an organization’s strategic planning, thus being emergent rather than static in structure.

It would be informative to take stock of what has transpired since the outbreak of the SARS epidemic. A year after the disease first broke, it would be of intellectual (and practical) interest to assess what, if anything, the business community has put in place to combat such medical challenges. Furthermore, inasmuch as we have offered some useful suggestions in this paper to deal with similar crises, we believe the exercise would be well served by couching our recommendations in a framework based in theory. Such a future study should reveal whether the business community has adopted any important lessons that might be learned from the SARS outbreak, and render our proposed contingency planning recommendations more practical in light of actual corporate actions.

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