Managing threats in the global era: The impact and response to SARS.

By: Wei-Jiat Tan; Enderwick, Peter. Thunderbird International Business Review, Jul/Aug 2006, Vol. 48 Issue 4, p515-536, 22p, 1 Diagram, 1 Chart. Publisher: Wiley-Blackwell

Abstract

In early 2003, the SARS virus brought disruption of public and business activities in many areas of the world, particularly Asia. As a result of its impact, SARS quickly established itself as a new kind of global uncertainty and posed challenges for traditional methods of risk management. This article examines the impact that SARS has had through means of a case study and builds on this to provide recommendations for how uncertainty may be managed in an increasingly globalized world. Reconsideration of strategic and risk-management approaches have become necessary. Supply-chain management and corporate strategy require a fundamental rethink to balance the pursuit of efficiency with increased responsiveness and flexibility. Unpredictability and turbulence in the international business environment suggest that traditional planning approaches that assume linear growth may give way to more scenario-based planning. This will encourage firms to contemplate a variety of possible futures and better prepare them for unanticipated events. Similarly, contingent-based continuity plans help businesses continue running even during a crisis.

Summary

For governments, the message is clear—even in a world without borders, the state will still have a role, given that unsupported market processes are insufficient by themselves to solve the problems created by SARS. However, with this responsibility comes the requirement that governments act in an open and transparent manner, something that is arguably a precondition for the effective handling of a crisis such as SARS. Global phenomena such as SARS also emphasize the need for a collective response and more openness and cooperation among nations. For businesses, the ability of SARS to significantly disrupt international business and the speed in which the disease was transmitted suggests that the nature of this new kind of event is global and systemic, and accordingly warrants a broad and encompassing risk-management approach. The implication is that firms must put a higher premium on strategies that emphasize flexibility and responsiveness.
Indeed, firms will find value in increasing diversification, whether this is in sourcing or in corporate strategy. Planning must also become less linear and more contingent-based, and in considering a range of possible future scenarios, firms will be in a better position to handle disruptions that increasingly cannot be predicted. Technology also appears to offer a possible solution as a risk-management device, and we are likely to see technologies such as video conferencing become a commonplace feature in offices of the future. Further research on the role that strategies, structures, and resources play in anticipating, responding, and adjusting to environmental disruptions is necessary (Meyer, 1982). In sum, while an event like SARS produces considerable challenges, it also offers insights into how firms can better equip themselves to manage within an increasingly turbulent and unpredictable environment.