

Coronavirus And CEOs: The Case For Calm

In a time of growing public concern, CEOs should be a voice of reason. Thankfully, facts are on your side.

By **Russ Banham** - February 27, 2020



When is a [Black Swan](#) really a [Lame Duck](#) in disguise? The question seems pertinent following the news reporting on COVID-19, the pathogen associated with the coronavirus outbreak. For weeks, the news media has whipped up fears over the virus. While its 2,700 fatalities and 80,000 infected people are an unfolding human tragedy, the numbers are a trifle of the 400,000 deaths and 3 million to 5 million infections annually attributed to a more common virus, influenza.

This comparison does not imply that COVID-19 is not a health crisis worthy of media attention or public concern. It's just hard to accept the alarmist rhetoric that the global economy will implode because of its reported adverse impact on manufacturing assembly lines and supply chains. Which virus truly is a threat? "It is the one we are all familiar with and the one people tend to not be afraid of," said vaccine and infectious disease immunologist Steven Szczepanek at the University of Connecticut told [MDLinx on February 15](#).

No articles are written about the impact of the flu on global supply chains, even after a particularly nasty seasonal outbreak. More to the point is that supply chains have been built to withstand most any disruption and, in particular, epidemics. Lessons had been learned from the far more devastating Swine Flu pandemic in 2009 (between 11 percent and 21

percent of the world's population contracted the disease) and the SARS epidemic that preceded in 2003.

The global supply chain survived both infectious diseases and worse. For example, following the tsunami and earthquake in Japan and the severe flooding that engulfed Thailand in 2011, a range of manufacturing businesses were idled by production delays due to supply constraints. These disruptions could have been much worse had not companies dependent on foreign parts and components learned from SARS and the Swine Flu and invested in the resilience of their supply chains.

This fact was not lost on *The New York Times*. Days after the one-two gut punch in Japan, columnist [Steve Lohr wrote](#), "The global flow of goods routinely adapts to all kinds of glitches and setbacks. A supply breakdown in one factory in one country, for example, is quickly replaced by added shipments from suppliers elsewhere in the network." Lohr added, "Modern global supply chains ... can be remarkably resilient and self-healing."

For some reason, supply chains seem to have lost these remarkable attributes. Either that or the *Times* memory is failing. On February 20, the newspaper reported that the coronavirus "has upended global supply chains and caused widespread disruption to businesses." A few paragraphs later, it reported that Mercedes, Ford Motor Company and General Motors were ramping up production at their Chinese factories. As of this writing, the number of infected people in China is falling.

Conversely, COVID-19 has spread to South Korea, Italy and Iran, not exactly a center of global commerce. Other countries also report minor outbreaks. After weeks of downplaying the impact of the coronavirus, the stock market cratered on February 24 and 25. The next day, the market stabilized. Goldman Sachs predicts that the coronavirus will decrease first quarter economic growth by [about 0.08 percent](#), not exactly an implosion. The investment bank also predicted the decline will be made up later this year, as the bug runs its course.

All in all, the fact remains that a much larger percentage of the working population will miss work not from COVID-19 but from this season's flu, which is expected to sideline 13 million people, most of them infected with the unanticipated B strain resistant to the initial flu vaccine. Will their absence also result in "upending" global supply chains? History provides the answer: No.

Fortune magazine, however, [reported](#) on February 21 that 94 percent of the Fortune 1000 were experiencing supply chain disruptions from COVID-19.

No surprise there. The bigger question is how severe these disruptions are—a little, a bit more, or a lot? Beth Pride, President of BPE Global, a global trade compliance consulting firm, answered a little.

“The media continues to suggest that companies’ global supply chain strategies and risk management are not working, when in most cases they are,” said Pride. “When one source of supply is impacted, other sources are lined up to fill in.”

She pointed to a client that relocated its overseas manufacturing facilities in China to Vietnam, Thailand and Malaysia, during the protracted trade dispute between the U.S. and China. “They’re doing just fine,” she said. Even her clients remaining in China have not completely stopped production. “There are still plenty of people working, despite the number of employees told to stay home,” she said. “And those at home are working, too, albeit remotely.”

In some cases, the stay-at-homes are operating smart manufacturing machines and robots using their laptops, courtesy of today’s Industrial Internet of Things (IIoT). “You don’t read that in *The New York Times*, which force-feeds the mindset that businesses are unprepared for disruptions,” Pride said. “The headline is really, ‘Supply Chains Prove Their Resilience. Again.’”

Down the line, as AI becomes ubiquitous in IIoT-enabled manufacturing lines, self-diagnosing and self-correcting problems, more people will work remotely to operate plant equipment, limiting the impact of the next epidemic on the global supply chain, Pride said. “We will learn from this setback just like we learned from previous ones,” she added.

The upshot is that the supply chain will be even more resilient than it already is, able to recover quickly from the next epidemic, earthquake or flood. History may actually prove President Trump right in his suggestion that the coronavirus is “under control” and its economic impact will fade with time. If he’s wrong, then the oft-touted resilience of global supply chains is a mirage.

The truth lies somewhere in between extreme positions—everything is okay, or everything is woeful. To capture reality, organizations must resist partisan hyperbole and discover their own version of the truth. In this hunt, they may find out their global supply chain is as “remarkably self-healing and resilient” as it seemed nine years ago, maybe even more.