



## BUSINESS CONTINUITY PLANNING – RESPONDING TO DISASTER

Business Continuity Planning is the process of creating plans that will enable an organisation to survive unexpected events that cause serious disruption by maintaining critical functions whilst full activities are recovered in a controlled manner.

### Q: WHY SHOULD ANY ORGANISATION INVEST IN BUSINESS CONTINUITY?

**A:** The simple answer to that question is that without a strategy to deal with serious disruption most businesses fail even if they are insured. Business Continuity Planning protects an organisation and is the responsibility of any quality management team that is entrusted with protecting the interests of an organisation's owners, employees, customers and other stakeholders.

### UNAVOIDABLE RISKS

No matter how good an organisation's risk management is, or how much resources it spends on risk reduction, there is a high probability that its operations will be seriously disrupted at some time by an event that is outside of its control.

Each year, the Chartered Management Institute obtains information about incidents that caused disruption from a postal questionnaire sent to a random sample of individual Institute members.

The results for 2007, in terms of the percentage of the sample that had experienced various types of disruption in the preceding year, were:

- Loss of IT 39%
- Loss of people 32%
- Extreme Weather 28%
- Loss of telecommunications 25%
- Utility outage 21%
- Loss of key skills 20%
- Negative publicity/coverage 19%
- Employee health and safety incident 17%
- Negative publicity/coverage 17%
- Supply chain disruption 13%
- Loss of access to site 13%
- Damage to image, reputation, brand 11%
- Pressure group protest 7%
- Industrial accident 7%
- Environmental liability incident 6%
- Customer health/product safety issue/incident 6%
- Fire 6%
- Terrorist damage 3%

More than 9% of those surveyed had invoked their organisation's Business Continuity Plan in response to a disruption.



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BBi Alternative Solutions is a trading name of BBi Risk Solutions Limited.

## DISASTER RECOVERY JULY 2007

### BUSINESS CONTINUITY PLANNING - RESPONDING TO DISASTER

Why should I invest?

Unavoidable Risks

Survival

Financial

Insurance

Competitive Advantage

Understanding

Customers

Governance

Planning to Recover



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## SURVIVAL

It is not always possible to buy in the resources needed to carry on after an incident has occurred, and insurance only provides financial assistance. How quickly and effectively your organisation could react after an incident is integral to survival. If an organisation does not have a pre loss strategy how can the following be organised effectively?

- Obtaining new premises or facilities
- Contacting staff, suppliers, customers and stakeholders.
- Deciding which process functions are critical
- Knowing what resources are required by critical functions
- Deciding which staff were required, at what time and where.
- Obtaining new equipment or stock
- Replacing and recovering computer systems and data
- Ensuring continued customer contact
- Managing public relations and dealing with the press

Every organisation will, at some time, experience an event that causes disruption that is outside of its control, and without a plan the organisation is unlikely to be able cope. Prudent management recognises that the existence of a Business Continuity Plan will make sure that the above, and other more specific aspects of recovery, are dealt with immediately by a team already in place.

## FINANCIAL

Decisions made in the first few hours of an event are critical, and actions undertaken in the first few days have a significant financial impact. In other words, if you get it wrong, it's going to cost a lot of money.

Business Continuity Planning not only aims to provide continuity in customer service at a minimum acceptable level, it also aims to limit the impact on the financial position on an organisation by ensuring that its critical functions continue to operate during a crisis and that the remainder are recovered in a controlled manner.

An organisation that has an effective and well-tested Business Continuity Plan is more likely to take the right decisions in the first few hours and to subsequently survive.

In short, a failure to develop and deploy an effective and well-tested Business Continuity Plan means taking an unnecessary risk with your organisation's future and profitability.

## INSURANCE

Most organisations will have some kind of Business Interruption insurance. However, many organisations are failing to ensure that they have adequate Business Interruption cover and in any event (unless specialist covers are purchased) Business Interruption insurance will not cover:

- The Development of new products and services
- Loss of business opportunities
- Loss of reputation
- The lifetime cost of losing customers
- Erosion of brand value

Business Interruption insurance therefore, for the length of the indemnity period, will provide some protection in terms of a limited financial cushion, but will not, on its own, enable your organisation to survive in the longer term.

Insurance companies also promote the benefits of Business Continuity Planning. BBI are able resist rate increases and obtain reductions for clients actively involved in Business Continuity Planning.



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## COMPETITIVE ADVANTAGE

An organisation that has a tried and tested Business Continuity Plan is able to tell its customers that it can provide continuity of supply in the event of a serious incident. This is a significant competitive advantage, and demonstrates that the implementation of a Business Continuity Management process is not just an additional overhead. It can make the organisation much more attractive as a potential supplier.

Increasingly, the existence of a Business Continuity Plan is becoming a condition of supply as large companies and public bodies implement their own Business Continuity Management processes and start looking at the vulnerability of their supply chain. Many organisations are finding that their customers are contacting them to ask about their Business Continuity arrangements, and that a failure to demonstrate that effective processes have been established is leading to contracts not being renewed.

Continuity of supply is vital to every organisation, and there is a growing realisation that it is just not worth doing business with organisations that do not take the issue seriously.



## UNDERSTANDING

One of the benefits that implementing Business Continuity brings to an organisation, is an understanding of what the organisation does and what functions are critical (this comes directly from a Business Impact Analysis).

Obtaining this knowledge enables an organisation to examine the utility of what it does, and can lead directly to a better allocation of resources to focus the organisation on its mission, aims, and objectives, rather than the non-critical peripheral functions that can often take on a life of their own. The organisation is able to find out what is critical and of value, and what can be outsourced or left undone.

The Business Continuity Planning process also provides an understanding of the organisation's supply chain, and where this fits into the critical and non-critical functions that are being undertaken. This enables the organisation to ensure that it has continuity of supply to its critical functions, and provides the background to enable a review of its suppliers and all other stakeholders.



## CUSTOMERS

One of the most critical and costly aspects of running any kind of organisation that operates in a competitive market environment is obtaining and retaining customers.

Customers can be surprisingly loyal, but if an organisation cannot fulfil its function customers have to change supplier. Effective Continuity Planning coupled with the financial backing of appropriate insurance ensures that a minimum level of supply can continue in the immediate period after serious disruption.



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## GOVERNANCE

The implementation of Business Continuity is now seen as an integral part of corporate governance, and any organisation that failed to take the issue seriously would struggle to convince its investors, customers, auditors, staff, and other stakeholders of its commitment to good governance.

Quite simply, it makes good business sense as well as displaying corporate responsibility to the wider community by continuing to provide support to other organisations and individuals in the event of a serious incident, enabling a return to normality sooner rather than later.

Many organisations now find that they have a legal or regulatory obligation to maintain an effective Business Continuity Plan. Internal controls such as explained by Turnbull and SORP, to which many organisations are expected to conform, and more recently the Civil Contingencies Bill 2004 all outline a management's responsibilities in this field.



## PLANNING TO RECOVER

Contrary to popular belief among SMEs (Small to Medium Sized Enterprises), their smaller size does not make them immune. They are, in fact, more likely to suffer failure following an event that causes serious disruption than a large organisation.

Actually, it doesn't matter whether an organisation is a large 'corporate' or an SME, the ability to respond swiftly and effectively to a major incident has never been more important.

As Eliza Manningham-Buller, the ex Director General of MI5, said "I am often asked what single piece of advice I can recommend that would be most helpful to the business community. My answer is a simple, but effective, Business Continuity Plan that is regularly reviewed and tested".

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**BBi Alternative Solutions is a trading name of BBi Risk Solutions Limited.**

BBi understand how Business Continuity Planning and Disaster Recovery strategies can help an organisation safeguard its future. Our Business Continuity consultants are based in London and the North East and we would welcome an opportunity to discuss how we can help you start taking positive steps towards protecting your organisation's value, owners, employees, customers and stakeholders.

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