

# BUSINESS CONTINUITY PLANNING



A business should be a reasonable and prudent operator of its assets. It must make all reasonable endeavours to ensure the continued performance of its business and the growth of its value to shareholders and to ensure the safety of its employees and customers.

In an emergency, a business must make paramount the safety and protection of its employees and customers.

Subordinate to that obligation is the need by the business to continue effectively. The value of the business to its shareholders must be protected and the business must ensure that it can continue to service its current and future customers fully.

The business may already have comprehensive plans to ensure the recovery of information systems in the event of a disaster. To complement these plans, a Business Continuity Action Plan should be prepared to ensure continued support of the business' operations and its obligations to shareholders in the event that facilities suddenly become unavailable.

By assessing each business activity's contribution to shareholder value and estimating how those contributions might be diminished if the activities were interrupted, the maximum allowable outages for the business activities can be determined and ranked. Strategies can then be devised that will facilitate each business activity to recover and continue in the sequence of descending urgency. Strategies can also be devised that will mitigate risks and their impacts upon the business.

A Business Continuity Action Plan should be developed that lists in a simple and straightforward manner the tasks that must be performed when an emergency interrupts the business. The Action Plan should be activated by senior manager of the business according to predefined criteria. The Plan should be executed by staff trained in the key business continuity tasks.

## *Analyse the Value Chain*

Develop model of the business' value chain:

- Corporate management
- Technology development
- Inbounds
- Operations
- Outbounds
- Marketing & Sales
- Service
- Financial management
- HR management
- Information management
- Physical resource management
- Procurement

Identify drivers of shareholder value:

- Increase value of assets
- Increase profits
- Reduce debts
- Protect business and reputation
- other

Assess contribution of each part of value chain to shareholder value:

- Relate each activity to each value driver
- Determine weighted contribution of each activity to increase in shareholder value

Prepare overviews of each key activity:

- Normal availability
- Volume per day
- Peak volume
- Peak times
- Time per transaction
- Average waiting time
- Number of staff

Develop model of the business' stakeholders and their SWOTs:

- Suppliers
- Regulators
- Customers
- Competitors
- Employees
- Shareholders

### Evaluate the Risks and Impacts

Identify potential risks to the business: <ul style="list-style-type: none"> <li>Natural</li> <li>Technical</li> <li>Human</li> </ul>	Assess probabilities of risks eventuating: <ul style="list-style-type: none"> <li>More than every p years</li> <li>Between p and q years</li> <li>Between q and r years or more frequently</li> <li>Rationales</li> </ul>	Describe impacts of risks eventuating on: <ul style="list-style-type: none"> <li>Safety <ul style="list-style-type: none"> <li>Employees</li> <li>Customers</li> </ul> </li> <li>Resources <ul style="list-style-type: none"> <li>Financial</li> <li>Physical</li> <li>Environment</li> <li>Reputation / Brand</li> </ul> </li> <li>Services <ul style="list-style-type: none"> <li>External effects</li> <li>Internal effects</li> </ul> </li> </ul>	Ascribe a notional financial cost to each impact: <ul style="list-style-type: none"> <li>\$x,000,000</li> <li>\$y00,000</li> <li>\$z,000</li> </ul>	Rank the notional 'insurance premiums' for each risk and impact:: <ul style="list-style-type: none"> <li>Determine the products of risks and impacts <ul style="list-style-type: none"> <li>\$d,000 every p years</li> <li>\$e,000 every q years</li> <li>\$f,000 every r years</li> </ul> </li> </ul>
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### Mitigate the Risks

Review risks and impacts of the high notional 'insurance premiums'	Devise strategies for reducing either or both: <ul style="list-style-type: none"> <li>Risk</li> <li>Impacts</li> </ul>	Implement mitigation strategies	Re-evaluate mitigated risks and impacts
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### Analyse the Business Impacts

For each activity in the value chain, determine the % negative impact on shareholder value if the activity is not available for: <ul style="list-style-type: none"> <li>≥ 1 day</li> <li>≥ 3 days</li> <li>≥ 7 days</li> <li>≥ 14 days</li> <li>≥ 21 days</li> </ul>	For each activity in the value chain, determine the reduction in its contribution to shareholder value if the activity is not available for: <ul style="list-style-type: none"> <li>≥ 1 day</li> <li>≥ 3 days</li> <li>≥ 7 days</li> <li>≥ 14 days</li> <li>≥ 21 days</li> </ul>	Categorise each activity in the value chain according to its reduced contribution to shareholder value over time: <ul style="list-style-type: none"> <li>≥ 1 day – Critical</li> <li>≥ 3 days – Vital</li> <li>≥ 7 days – Necessary</li> <li>≥ 14 days – Desirable</li> <li>≥ 21 days – Optional</li> </ul> <p>(Maximum Allowable Outages)</p>	Determine minimum levels of acceptable performance of each activity: <ul style="list-style-type: none"> <li>Minimum availability</li> <li>Volume per day</li> <li>Peak volume</li> <li>Time per transaction</li> <li>Average waiting time</li> <li>Number of staff needed</li> </ul>
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### Develop Continuity Strategies

Appoint a Business Continuity Manager: <ul style="list-style-type: none"> <li>Member of senior management team</li> <li>Responsibility for developing and maintaining BC Plans</li> <li>Manager responsible for recovery in an emergency</li> <li>Nominate an alternate</li> </ul>	Appoint Business Continuity Team: <ul style="list-style-type: none"> <li>Communications (people)</li> <li>Human Resources</li> <li>Finance and Administration</li> <li>Infrastructure and Facilities</li> <li>Information Technology &amp; Telecomms</li> <li>Equipment and Supplies</li> <li>Security</li> <li>Damage Assessment and Salvage</li> <li>Vital Records</li> </ul>	Identify alternate business sites: <ul style="list-style-type: none"> <li>Primary alternate site</li> <li>Possible alternate site</li> <li>Confirm: <ul style="list-style-type: none"> <li>Floor space &amp; facilities</li> <li>Security</li> <li>Telecoms capability</li> <li>Data network</li> </ul> </li> <li>Sources of replacement equipment &amp; supplies</li> </ul>	Determine how operational facilities will be recovered: <ul style="list-style-type: none"> <li>Inventories</li> <li>Machinery</li> <li>Receipt and dispatch</li> <li>Order taking</li> <li>Service</li> </ul>	Determine how information will be secured and recovered: <ul style="list-style-type: none"> <li>Coordination with IT disaster recovery plans</li> <li>Storage and retrieval of paper records <ul style="list-style-type: none"> <li>Contracts</li> <li>Deeds</li> <li>Plans &amp; drawings</li> <li>Correspondence</li> </ul> </li> <li>Storage criteria</li> <li>Purging criteria</li> <li>Access criteria</li> </ul>
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*Prepare the Business Continuity Action Plan*

Describe how Plan will be activated:

- Criteria for activation
- Who activates
- Location of BC Office
- Contact lists
- Assembly instructions

Prepare Gantt charts of recovery actions:

- Tasks
- Resources
- Timings
- Dependencies

Identify and perform tasks necessary to prepare for emergency:

- Devise policies & procedures
- Develop templates
- Prepare alternative facilities
- Identify resource providers
- Train BC Team members

Prepare lists of contacts and alternates:

- Business Continuity Team
- Executive & management

Catalogue vital records:

- Held electronically
- Held on paper
- Who responsible
- Where copies located

*Maintain and Test the Plan*

Set Plan review criteria:

- Frequency
- Changed circumstances
- Method
- Approvals

Devise testing regime:

- Desk-top walk-throughs
- Full exercises
- Coordination with IT DRP exercising
- Frequencies

Perform tests and modify Business Continuity Action Plan as necessary

Activity	Weighted Contribution of Activity to Increase in Shareholder Value	Shareholder Value Drivers				Negative impact on contribution if unavailable for:					Reduction in shareholder value if unavailable for:				
		Increase value of assets	Increase profits	Reduce debts	Protect business and reputation	Less than 1 day	2 to 3 days	4 to 7 days	7 to 14 days	More than 14 days	Less than 1 day	2 to 3 days	4 to 7 days	7 to 14 days	More than 14 days
		20%	40%	10%	30%	100	100	100	100	100	Critical	Vital	Necessary	Desirable	Desirable
<b>CORPORATE MANAGEMENT</b>	<b>19</b>														
Executive and Board leadership	4	10	2		5	-	10%	20%	40%	60%	-	0	1	2	3
Corporate strategy	7	13	3	20	5	-	-	-	-	20%	-	-	-	-	1
Business development	5	15	3	7		-	-	-	-	10%	-	-	-	-	0
Investor relations	1	5				-	20%	20%	50%	70%	-	0	0	1	1
Public relations	2				5	20%	40%	60%	100%	100%	0	1	1	2	2
<b>TECHNOLOGY DEVELOPMENT</b>	<b>10</b>														
Product design	6	10	7		3	-	-	-	-	20%	-	-	-	-	1
Plan & drawing management	1	2			1	-	-	-	50%	50%	-	-	-	0	0
Manufacturing design	2	3	3			-	-	-	20%	20%	-	-	-	-	0
Market research	1	2	1		2	-	-	-	-	-	-	-	-	-	0
Servicing methods development	0	1				-	-	-	-	-	-	-	-	-	0

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|---------------------------------|----------|-----|-----|--|---|---|---|-----|-----|-----|---|----|----|----|----|
| <b>PHYSICAL RESOURCE MANAGE</b> | <b>6</b> |     |     |  |   |   |   |     |     |     |   |    |    |    |    |
| Property management             | 2        | 7   |     |  | 2 | - | - | -   | -   | 30% | - | -  | -  | -  | 1  |
| Environmental management        | 3        | 5   |     |  | 5 | - | - | -   | -   | 20% | - | -  | -  | -  | 1  |
| Fleet management                | 0        | 2   |     |  |   | - | - | -   | -   | 10% | - | -  | -  | -  | 0  |
| Transport maintenance           | 0        | 1   |     |  |   | - | - | -   | 20% | 20% | - | -  | -  | 0  | 0  |
| Equipment maintenance           | 0        | 1   |     |  |   | - | - | -   | 20% | 20% | - | -  | -  | 0  | 0  |
| Building maintenance            | 1        | 1   |     |  | 1 | - | - | -   | 10% | 10% | - | -  | -  | -  | 0  |
| <b>PROCUREMENT</b>              | <b>7</b> |     |     |  |   |   |   |     |     |     |   |    |    |    |    |
| Direct materials                | 2        |     | 5   |  |   | - | - | 40% | 60% | 80% | - | -  | 1  | 1  | 2  |
| Indirect materials              | 2        |     | 5   |  |   | - | - | -   | 20% | 40% | - | -  | -  | 0  | 1  |
| Office consumables              | -        |     |     |  |   | - | - | -   | -   | -   | - | -  | -  | -  | -  |
| Outsourced services             | 1        |     | 3   |  |   | - | - | -   | -   | 20% | - | -  | -  | -  | 0  |
| Telecommunications services     | 1        |     | 3   |  |   | - | - | -   | -   | 30% | - | -  | -  | -  | 0  |
| Energy                          | 1        |     | 2   |  |   | - | - | -   | -   | 10% | - | -  | -  | -  | 0  |
|                                 |          | 100 | 100 |  |   |   |   |     |     |     | 7 | 14 | 23 | 31 | 48 |

| Strategic Activities   | CORPORATE MANAGEMENT           |                      |                               |                   | Criticality & MAO |                 |
|------------------------|--------------------------------|----------------------|-------------------------------|-------------------|-------------------|-----------------|
|                        | Executive and Board leadership | Investor relations   | Public relations              |                   | Critical          | Less than 1 day |
|                        |                                |                      |                               | Vital             | 2 to 3 days       |                 |
|                        |                                |                      |                               | Necessary         | 4 to 7 days       |                 |
|                        |                                |                      |                               | Desirable         | 7 to 14 days      |                 |
| Corporate strategy     | Business development           |                      |                               | Desirable         | More than 14 days |                 |
| TECHNOLOGY DEVELOPMENT |                                |                      |                               | Criticality & MAO |                   |                 |
|                        |                                |                      |                               | Critical          | Less than 1 day   |                 |
|                        |                                |                      |                               | Vital             | 2 to 3 days       |                 |
|                        |                                |                      |                               | Necessary         | 4 to 7 days       |                 |
|                        |                                |                      |                               | Desirable         | 7 to 14 days      |                 |
| Product design         | Plan & drawing management      | Manufacturing design | Market research               | Desirable         | More than 14 days |                 |
|                        |                                |                      | Servicing methods development |                   |                   |                 |

| Operational Activities            | INBOUND LOGISTICS      |                   |  |                   | Criticality & MAO |                 |
|-----------------------------------|------------------------|-------------------|--|-------------------|-------------------|-----------------|
|                                   | Materials picking      |                   |  |                   | Critical          | Less than 1 day |
|                                   | Materials handling     | Materials storage |  | Vital             | 2 to 3 days       |                 |
| Inspection                        |                        |                   |  | Necessary         | 4 to 7 days       |                 |
|                                   |                        |                   |  | Desirable         | 7 to 14 days      |                 |
|                                   |                        |                   |  | Desirable         | More than 14 days |                 |
| OPERATIONS                        |                        |                   |  | Criticality & MAO |                   |                 |
| Fabrication                       | Assembly               |                   |  | Critical          | Less than 1 day   |                 |
| Testing                           |                        |                   |  | Vital             | 2 to 3 days       |                 |
|                                   |                        |                   |  | Necessary         | 4 to 7 days       |                 |
|                                   |                        |                   |  | Desirable         | 7 to 14 days      |                 |
|                                   |                        |                   |  | Desirable         | More than 14 days |                 |
| OUTBOUND LOGISTICS                |                        |                   |  | Criticality & MAO |                   |                 |
| Picking and dispatch              | Transport              |                   |  | Critical          | Less than 1 day   |                 |
|                                   |                        | Shipping          |  | Vital             | 2 to 3 days       |                 |
|                                   |                        |                   |  | Necessary         | 4 to 7 days       |                 |
|                                   |                        |                   |  | Desirable         | 7 to 14 days      |                 |
|                                   |                        |                   |  | Desirable         | More than 14 days |                 |
| MARKETING & SALES                 |                        |                   |  | Criticality & MAO |                   |                 |
| Sales order taking                |                        |                   |  | Critical          | Less than 1 day   |                 |
| Sales force management            |                        |                   |  | Vital             | 2 to 3 days       |                 |
| Debt recovery                     |                        |                   |  | Necessary         | 4 to 7 days       |                 |
| Invoicing                         | Marketing              | Advertising       |  | Desirable         | 7 to 14 days      |                 |
|                                   |                        |                   |  | Desirable         | More than 14 days |                 |
| SERVICE                           |                        |                   |  | Criticality & MAO |                   |                 |
|                                   |                        |                   |  | Critical          | Less than 1 day   |                 |
|                                   | Spare parts management |                   |  | Vital             | 2 to 3 days       |                 |
| Service representative management |                        |                   |  | Necessary         | 4 to 7 days       |                 |
|                                   |                        | Returns           |  | Desirable         | 7 to 14 days      |                 |
|                                   |                        |                   |  | Desirable         | More than 14 days |                 |

+ Support Activities