

Business Continuity – A Plan for Corporate Survival

Disasters and crises come in all shapes and sizes, from the Katrina banner headlines to the fourth page article on the telephone exchange fire, but each can have a significant impact on your company depending on your circumstances and location.

At a recent CNA Business Continuity Seminar hosted by Mesirow Insurance Services the following facts were presented:

- “Three out of five enterprises that have experienced a disaster will go out of business within 5 years.” (Source: Gartner)
- “93% of companies that experience a significant data loss are out of business within 5 years.” (Source: U.S. Bureau of Labor Statistics)
- “81% of CEOs indicated their company plans would not be able to cope with a catastrophic event like the 9-11 attacks.” (Source: Infocon Magazine)
- “A disaster does not need to be a dramatic terrorist attack to have a massive impact on an organization. For instance, in the case of fires, 44% of businesses fail to reopen and 33% of these failed to survive beyond 3 years.” (Source: Infocon Magazine)
- “An effective Business Continuity Plan (BCP) and disaster recovery plan can reduce losses by 90% in the event of a disaster.” (Source: Info Security News Magazine)

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The crisis event doesn't even have to happen to you. It can affect a supplier, customer, utility, vendor or community and still have a very damaging impact on your organization. In the absence of an effective BCP, that seemingly remote event can jeopardize the future of your organization.

If you have a BCP, review it on a periodic basis. It should be a fundamental element within your corporate strategic plan.

If you do not have a BCP, start the process immediately. Your ability to respond effectively and immediately following a crisis or disastrous event will determine whether it impairs or cripples your organization.

Getting Started

Your risk in the event of a disaster is the product of the probability of an event times its impact on your organization.

What does an hour of lost productivity cost you? Use that as a base unit for estimating impact whether you are looking at a department, a product line, a plant or an entire division.

The “What If” Game

Postulate the events that can affect your core functions, products and services and estimate the time that it will take you to restore your operations to pre-disaster levels of productivity. Take that time and multiply it by your base cost per hour for lost productivity. This number will help you prioritize what aspects of the BCP to work on first and will also identify vulnerabilities that may not have been apparent before.

Look for interdependencies within your operations and interactions with your customers (internal and external) and suppliers. Bottlenecks can be fatal to an organization in a time of crisis.

Build Your BCP around Mitigation Strategies

When potential risks and impacts are known, build your plan around eliminating or reducing the impacts through:

- Eliminating the bottlenecks
- Determining alternate sources for goods, services and raw materials
- Balancing your customer base to eliminate “consuming dependencies”
- Assembling disaster response plans that identify:
 - ▼ Specific responsibilities and authority to act
 - ▼ Resources and funding to implement plans
 - ▼ Means and methods for communicating internally and externally
 - ▼ Planned messages for your employees, suppliers, customers and the public
 - ▼ A system for measuring and monitoring your recovery process

Implementation

The next big step is training. Conduct table-top disaster scenarios to test your plan. Initiate response drills to see if your communication systems work and to determine if the essential people understand their responsibilities and how to carry them out. Involve suppliers and vendors if they are vital to your plan.

An essential part of the process is identifying risk transfer opportunities through your insurance program, especially Business Interruption Insurance. In times of tight credit, this may be your only option for recovering needed operating capital following a disaster.

Keeping it going

The most important part of your BCP is its care and feeding. The plan should be reviewed when there are significant changes in your equipment, operations, materials, vital staff and customer requirements or dependencies. It should also be a part of your management audit and oversight functions to keep it up to date.

Remember, your customers will be sympathetic to your situation, but they will go elsewhere to get what they need.

For more information please contact your Mesirow Financial representative.

This article is intended as an overview and should not be viewed as legal advice. Please consult with your attorney if you have any questions.