



\*Mr. J. C. Laddha

“

Business Continuity Plan is a blueprint of various strategies and tactics to deal with an event or crisis enabling business continuity does not suffer.”

# Business Continuity Planning (BCP)

## Key agenda for the Board in a growing disruptive world

### Introduction

Business Continuity Planning (BCP) is about having a strategy to manoeuvre successfully from business disruptions like earthquakes, cyberattacks, production breakdown or a leadership team member leaving; so that organizations can continue to function optimally with as little disruption as possible.

It may be a large or a small company, private or a public sector organization, B2B or B2C business, a plan is needed by every business to continue operating under any circumstances.

Advent of COVID-19 highlighted major unpreparedness on the part of major corporates. Most were taken aback by the level of disruptions caused by its impact.

A research done by a prominent consulting firm, Mercer, in early Mar'20, found that 51% of companies around the world across various sectors had no BCP to address the looming pandemic. According to International Data Corporation (IDC), on an average, an infrastructure failure can cost \$100,000 an hour and a critical application failure can cost \$500,000 to \$1 million per hour.

Today, the world is more globalized and integrated than ever before, companies operate in a very diverse environment which thereby increases the probability of having to face various disruptions. The organisations that don't have a BCP, operate at a very high level of risk today and thus are at a greater disadvantage than the competition having such plans. Active board participation is significant in integrating and implementing BCP into the organization's business and risk strategies, and to setting the tone at the top.

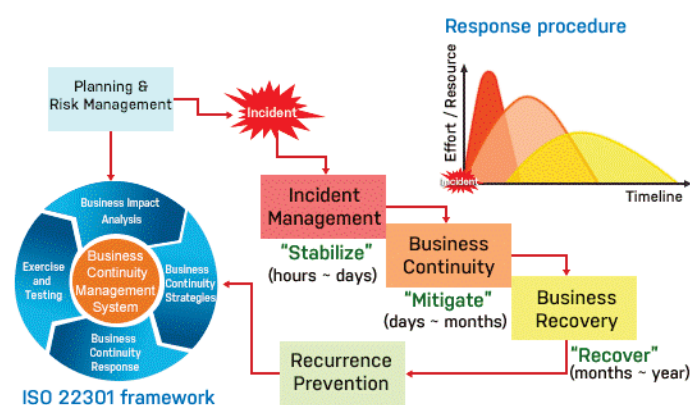
## What is Business Continuity Planning (BCP)?

BCP is a tool that helps an organisation to shield and sustain business functions during a disaster (natural or man-made, e.g., earthquake, cyberattack etc.). It helps an organization to prevent, respond, and recover quickly and seamlessly from business disruptions.

BCP is a much more exhaustive than a disaster recovery plan and will incorporate contingencies for processes, assets, resources and value chain partners – each facet of the business that may get affected. Further, plan covers how swiftly business functions could be restored enabling seamless operations. In case of delay in system re-establishment, manual workarounds are also delineated in the plan for the operations to continue.

Typically, a plan will include a checklist with details of supplies and equipment, backup for data and storage sites & locations. Plans may also specify who shall be the administrators with their relevant contact information in an emergency, key staff for the program and backup site providers. It may also encompass strategies for BCP in both the cases of short-term and long-term disruption.

'International Organization for Standardization (ISO)' has recommended a framework for BCP - **"ISO 22301- Security and resilience – Business Continuity Management Systems"**. This provides 'Standard Operating Procedure (SOP)' listing down all the measures that the business should take to continue operating in an unforeseen disruption. Below is the BCP framework defined by 'ISO'.



(Image source: <https://www.theaccessgroup.com/en-gb/blog/hsc-business-continuity-update-where-are-we-now/>)

## Evolution of Business Continuity Planning (BCP)

In the early 1970s, many financial entities such as banks and insurance companies, invested in 'Disaster Recovery Planning (DRP)' by creating Backup tapes and stored them at protected sites away from the prime locations. Any of the disruption such as fire, flood, storm, or other physical devastation at the prime sites triggered a recovery procedure. The 1980s, saw a growth in

commercial retrieval offering shared computer services, but again remained limited to IT recovery.

The 1990s saw a period of increased globalization in businesses and the prevalence of data access. This was a period wherein truly BCP emerged from the DRP as businesses thought more holistically, much more than just the IT recovery. Companies started realizing the advantages of BCP as it became imperative to continue delivering products & services to customers in a highly demanding and competitive market landscape.

Today, organizations face numerous challenges on various fronts. They are exposed to vulnerabilities of cyber-attacks with a much more integrated world, climate change has brought in disturbances unthinkable few decades before and terrorists attacks may strike at any place any moment. Organizations thus need to manoeuvre itself and successfully operate unscathed from these disruptions.

Considering the above, BCP needs to be very comprehensive, detailing out all possibilities & outcomes with action plan charted out for each of the options. It should encompass ways to defend against those risks, guard critical data and recover in a controlled & measurable way.

## Difference between BCP and Disaster Recovery Planning (DRP)

'Disaster Recovery Planning (DRP)' emphasizes on accessibility to data and applications, IT infrastructure, and systems restoration in case of disaster so that business continuity may get addressed. Conversely, BCP places emphasis on all aspects of a business that are required to maintain business operations.

DRP may be viewed as a subcategory of BCP. Although, the two plans are quite interlinked and must be viewed cohesively.

BCP is not possible without disaster recovery. Disaster recovery cannot guarantee business continuity.



### Business Continuity Planning and Disaster Recovery Planning

(Source: <https://powerslides.com/powerpoint-business/business-plan-templates/business-continuity-plan/>)

## Why is Business Continuity Planning (BCP) important?



Importance of BCP

### 1. Mitigate operational, financial, and reputational risks

Disruptions in business may affect operations of an organisation causing inefficiency in delivering quality goods and services to its customers. This may considerably impact the company's financials such as top line & bottom-line.

Often ignored, the reputation risk of an organization is also of great prominence. It may get impacted as it fails to meet its contractual/ legal commitments to its partners (or comply with regulatory compliances) during disruption. This can greatly erode, organizations brand and shareholder's value.

### 2. Guides swift and complete recovery of its business operations

BCP furnishes a holistically evaluated plan that minimises the time to recover and restart operations. Groundwork is crucial to its success: a well-tested BCP reduces all the envisaged risks that the business can carry during disruption and how it will entirely operate in such circumstances.

### 3. Guards the safety of employees and critical organisational assets

BCP factors in the all the assets of an organization. It may include welfare of employees as well as the protection of other integral assets and processes during the crisis.

### 4. Recognize and address resiliency synchronization

BCP is able to build strong relationship & synchronization among business processes, applications & IT infrastructure that helps in seamless business operations.

## Key Features of an Effective Business Continuity Planning (BCP)



- **Strategy:** Plans deployed to successfully run daily business operations efficiently and continuously.
- **Organization:** Structure, skills, communications, and responsibilities of its employees.
- **Applications & Data:** Software essential for running continuous business operations.
- **Processes:** Critical business processes required, as well as the IT processes used to ensure smooth & seamless operations
- **Technology:** Systems, servers and sector-specific technology essential to aid continuous operations and backups of data and applications.
- **Facilities:** Disaster recovery location/ sites if the primary site is destroyed or becomes inoperative.

BCP becomes a basis when the event of crisis strikes. It's a blueprint of various strategies and tactics to deal with such an event or crisis enabling business continuity. Further, the plan should be a closed loop process that supports continuous iterations and improvements, allowing it to adapt to the changing world.

## Benefits of Business Continuity Planning (BCP)



### 1. Increase resiliency and survival

BCP increases the prospect of resiliency and continuity throughout catastrophes or disasters. It interweaves the tactical requirements short-term necessary for business continuity with a strategic framework which will enable long-term success.

### 2. Familiarity and understanding of crucial business processes

BCP makes it imperative to identify and analyse all the processes and assets that the business can or cannot do without. This enables deeper understanding of the organisation and the market landscape in which it operates.

### 3. Competitive advantage

A comprehensive and effective plan can place the organisation at a competitive advantage especially in situations of general uncertainty — especially if peers are struggling to survive a shock. By covering all bases in the planning phase, companies are better suited to adapt and recommence operations when others might not.

### 4. Establish trust, business acumen and commitment to all stakeholders

The process of BCP demonstrates a dynamic and active role and approach to risk oversight. It is an exercise that exhibits strategic leadership, farsightedness, and initiative to be able to protect critical assets and the interests of all stakeholders.

### 5. Satisfy legal, regulatory, and supplier compliance

BCP can help deliver a level of assurance that organisations will continue to work within established legal and regulatory frameworks to meet and fulfil commitments to customers and suppliers.

## THE ROLE OF THE BOARD IN BUSINESS CONTINUITY PLANNING (BCP)

Two school of thought prevail, one believes that BCP should be left under the purview of management, while some suggest that the role of the board is imperative and vital to the BCP. Let us explore the latter.

### Following are the roles of the board to enable business continuity:

#### 1. Establish BCP as a central organisation initiative

The board needs to place sufficient importance on BCP initiatives.

The board needs to take charge in setting the overarching agenda on BCP, approve its policies and activities (for eg. employee awareness training), allocate relevant budget and resources to execute, support, manage, and sustain the various features of the BCP.

In parallel to BCP getting rolled out, the board should be instrumental in communicating that BCP implementation should be more collaborative and thus, the entire management team needs to be involved and work cohesively in successfully implementing across the organization.

Last of all, the board's role is also in reviewing the strategic orientation of the BCP with the organisation's culture, purpose, and values right from inception to execution.

#### 2. Ensure board operations, systems & processes remain intact

Not only is board's duty to initiate and review the BCP but also to effectively discharge their duties when the disruption itself strikes board systems and processes. It is imperative, that the board can connect and lead during the crisis so that the business operations can run smoothly.

An article by KPMG talked about 2 technological challenges that businesses faced during the pandemic as employees worked from home:

- a) lack of remote access technology
- b) absence of digitised business processes

Indeed, this was a concern for many boards as well. Thus, it would be judicious for boards to deliberate making investments that would allow them to carry on with their activities throughout a crisis. One such investment should be in software related to board management or portals.

Board portals help in digitising workflows of board meeting end-to-end, eliminating processes based on paper while allowing boards to effectively communicate and collaborate remotely 24x7 — in a highly-secure setting.

Adoption of such technologies allows the board to focus on strategic governance when it is most needed.

#### 3. Develops a Clear Communication Plan

The board should develop clear communication procedures particularly during business disruptions. Further, it may form an ad-hoc committee to monitor and address communication activities throughout the crisis.

The board needs to work closely with management to assure all stakeholders (i.e., suppliers, customers, employees, partners, investors) of business continuity. As with any communications plan, uniformity of message across all communication medium is critical. Transparency again is key.

Internally, the board should also decide on the reporting requirements it may expect from the management, factoring in the level of detail and the frequency of such reports.



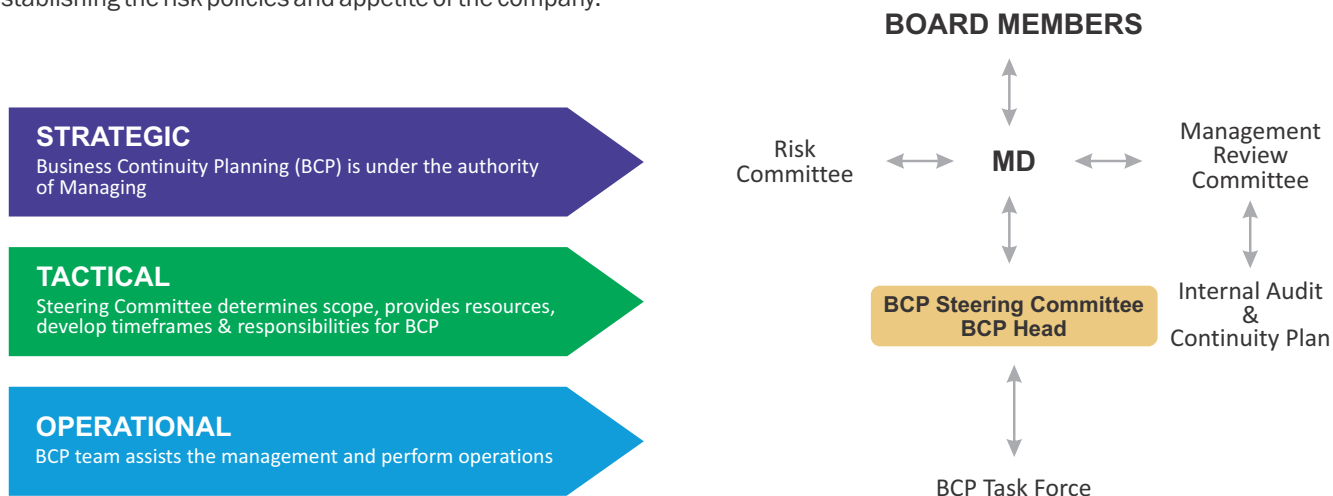
Seamless communication from the board helps to manage the crisis effectively, enabling informed & effective decision making.

#### 4. Proactive approach to supervise risk controls

Board is accountable for setting an enterprise-wide risk management (ERM) framework. In addition, responsible for establishing the risk policies and appetite of the company.

The board must ensure that all aspects of the business are attuned to the risk appetite of the company when the management presents its BCP. It also needs to cautiously weigh upon the plan's impact on risk exposure and on the business' long-term strategy.

#### Effective Corporate Structure for BCP



(Source: <https://powerslides.com/powerpoint-business/business-plan-templates/business-continuity-plan/>)

## CASE STUDIES

### 1) Toyota Case

#### The March 2011, Japan Quake - Toyota - Then and Now

Toyota - Then	The Change	The Effect
<p><b>Japan Quake, Tsunami Take Heavy Toll On Toyota</b></p> <p>Toyota profit slides on Japan earthquake disruption</p> <p>Toyota is expected to lose its spot as the world's top-selling carmaker to General Motors this year because of the disruption to its output.</p> <ul style="list-style-type: none"> <li>All of Toyota's operations in Japan were shut down for nearly two months after a magnitude-9 earthquake.</li> <li>Production in the <b>United States declined by 30 percent</b> due to a shortage of parts produced.</li> <li>Toyota's <b>quarterly profit crumbled more than 75%</b> and <b>tsunami</b> wiped out parts suppliers in northeastern Japan, severely disrupting car production.</li> </ul>	<p><b>RESCUE system:</b></p> <ul style="list-style-type: none"> <li>A comprehensive database of its suppliers and critical parts.</li> <li>Quickly identify how to shift components across sites when needed.</li> <li>Disruptions at one location would not affect global operations.</li> <li>Modification in JIT approach. Suppliers to stockpile anywhere from two to six months' worth of chips for the Japanese carmaker.</li> </ul>	<p><b>How Toyota applied the lessons of 2011 quake</b></p> <p>When disaster struck again, preparations paid off</p> <p><b>How Toyota thrives when the chips are down</b></p> <ul style="list-style-type: none"> <li>When earthquakes again struck Japan in 2016 and 2019, Toyota kept production stoppages to two weeks or less and avoided disruptions in its worldwide operations.</li> <li>March 2021, Toyota has been largely unscathed by a global shortage of semiconductors following a surge in demand for electrical goods under coronavirus lockdowns that has forced many rival automakers to suspend production.</li> </ul>

(Source: EY presentation to CTIL (May 2021))



## 2) German telecom giant rapidly restores service after fire

One of the prominent case studies is of German telecom company that discovered a dangerous fire encroaching on its crucial company facility. This is an example of an incident management solutions deployed by the company. The facility was a central switching centre, which contained important telecom wiring and equipment that were crucial to providing service to millions of its customers.

The company uses an incident management system from Simba, which forewarned and alerted staff of the fire, gauged the impact of the event, automatically triggered incident management response teams and sent emergency warning signals to Simba's 1,600 Germany-based employees. The fire reached the building, eventually knocking out the entire switching centre.

But with an active and comprehensive incident management system in place, combined with a parallel network design, the company was able to fully re-establish services within 6 hours.

## Conclusion



*It is not the strongest or the most intelligent who will survive but those who can best manage change* ”

~ Charles Darwin

Variability and frequency of business disruptions are growing at an unprecedented level. Instead of shying away, board needs to be cognizant of this fact, and should be future ready. It should set a robust planning mechanism across all dimensions of an organization that would cause minimal impact on the organization during disruptions enabling business continuity of its operations.

Current pandemic is a most recent and perfect example in this context and following quote stands out:

***“Those who were prepared were not only able to continue with business operations but managed to thrive under pressure. This alters the definition of business resilience to a degree. It is no longer simply about withstanding shock and change – but also creating value when it is least expected.”***

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