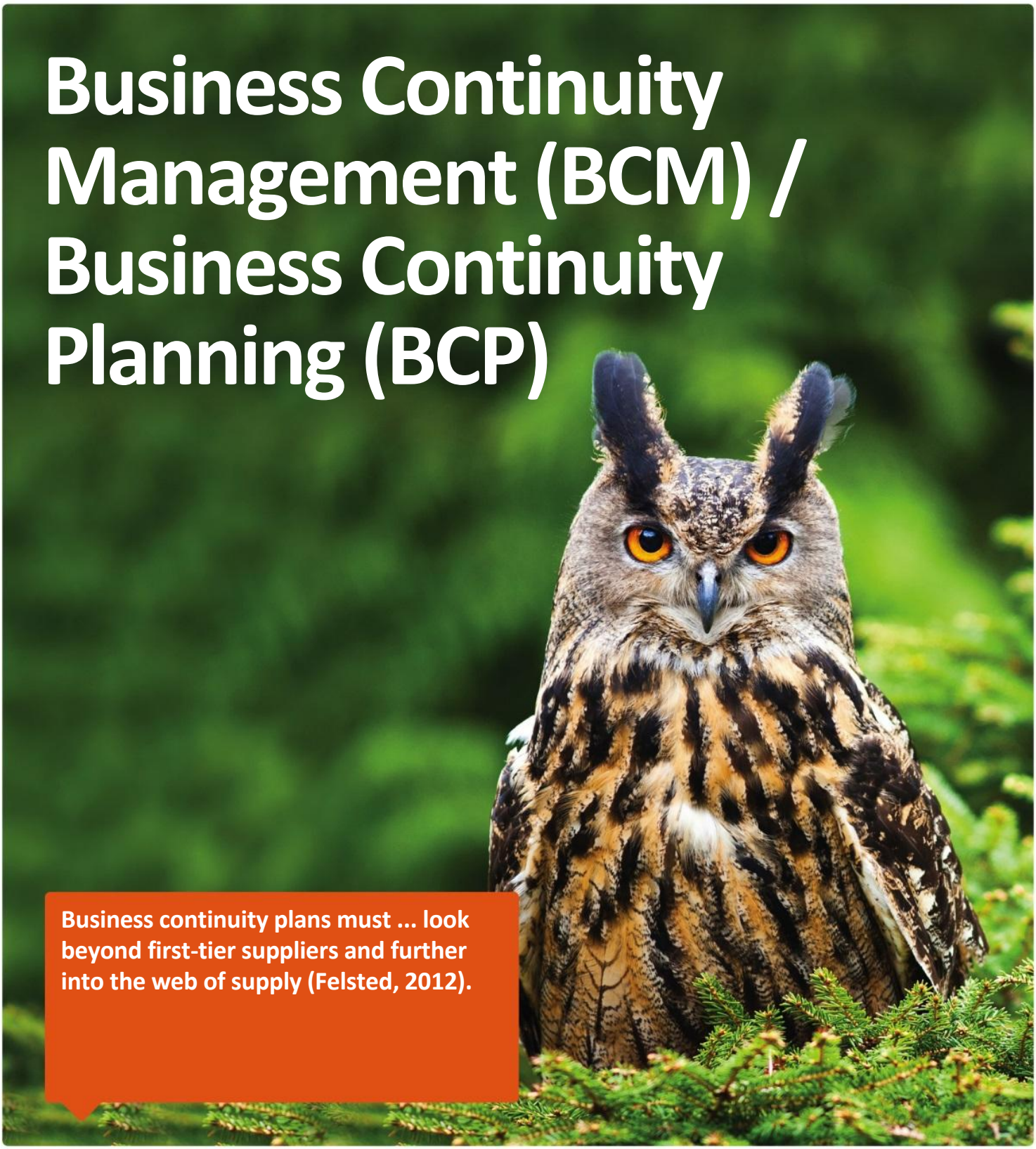
Business Continuity Management (BCM) / Business Continuity Planning (BCP)



Business continuity plans must ... look beyond first-tier suppliers and further into the web of supply (Felsted, 2012).

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Introduction

Today, companies recognise the need to be prepared and are striving to meet the demand for continuous service. With the growth of e-Commerce and other factors demanding all day and year-round availability, the average organisation is required to recover from a major system outage within two to 24 hours (Gibb and Buchanan, 2006) and the need for business survival necessitates planning for a range of disruptions.

BCM supports the organisation and is generally embedded in the strategic framework and corporate culture (Cerullo and Cerullo, 2004). Categories of continuity planning may include disaster recovery plans, business resumption plans, business recovery plans and contingency plans (Noakes-Fry and Diamond, 2001). There are three major types of business disruption considered by the BCM: internal disruption in the firm (eg. control, process), disruptions external to the company but internal to the supply chain, and disruptions external to the firm and supply chain (Christopher and Peck, 2004). Typical examples of these three categories are: natural disasters, hardware and communications failure, sabotage or acts of terrorism. Strohl (2002) found that 50% of the continuity planning that professionals are most concerned with are accidental failures (i.e. internal causes such as power outages, equipment failure, software errors and operational errors). The threat of natural disaster (i.e. earthquakes, floods, and hurricanes) are ranked as the second-greatest cause of concern. Intentional externally-caused disasters (such as hackers, terrorism, acts of war) are ranked third (Cerullo and Cerullo, 2004).

In light of recent catastrophic outrages which included difficult-to-control oil spills, tsunamis and violence in the Middle East, it is particularly important to look beyond first-tier suppliers and further into the web of supply when building and maintaining business continuity plans. For example, several companies in Japan's automotive industry lost many dies and moulds without securing the safety of duplicates, and floods in Pakistan in 2011 pushed up the price of cotton which is a key component of the clothing industry. As part of their BCM, some companies factor risks associated with geographical location into their base production costs, others move to more stable regions to better control cost escalations in their supply chains (Felsted, 2012).

Definition

Business Continuity Management (BCM), also known as Business Continuity Planning (BCP) or Business Continuity and Resiliency Planning (BCRP) is a tool employed to provide greater confirmation that the outputs of processes and services can be delivered in the face of risk. BCM helps to identify and manage risks which threaten to disrupt essential processes and services, to mitigate the effects of these risks and to ensure that recovery of a process or service is achievable without significant disruption (Cerullo and Cerullo, 2004).

Successful Application

There is no single recommended plan for business continuity and organisations should develop comprehensive business continuity plans based on their unique situation. Generally, the plan should be dynamic and should evolve as the business environment and technology changes. Business continuity planning and implementation processes should identify and address three main areas: (1) major risks of business interruption, (2) the impact of the identified risk, (3) training of employees and testing the plan to ensure that it is effective (Lam, 2002).

Steps to Successful Application

- Initiate BCM programme across the entire organisation.
- Specify the programme charter and develop a programme plan.
- Define, initiate and prioritise projects.
- Select risk mitigation strategies: risk analysis can be broken down into risk identification, evaluation and business impact analysis phases (BIA).
- Monitor and control: whatever typology is used to categorise risks, it is important to start with an exhaustive list.
- Put in place any improvements to operating procedures, infrastructure and security.
- Regularly test risk mitigation strategies and disaster recovery plans.
- Educate and train staff and communicate the benefits and objectives of the BCM strategy.

Gibb and Buchanan (2006)

Hints and Tips

- Business continuity plans should be embedded in the procurement strategy (CIPS: Business Continuity in the Supply Chain).
- All business continuity planning, strategy, implementation and maintenance must take into account all aspects of business continuity, for example, data, finance, buildings, communications (Noakes-Fry and Diamond, 2001).
- Focus on key suppliers as a first stage is vital (CIPS: Business Continuity in the Supply Chain).
- It is key to consider the whole supply chain to identify single points of failure (CIPS: Business Continuity in the Supply Chain).
- It is important to work with suppliers to develop a business continuity plan. This is particularly important when dealing with off-shore service providers (CIPS: Business Continuity in the Supply Chain).

Potential Advantages

- BCM ensures quick recovery from any type of business interruption (Cerullo and Cerullo, 2004).
- BCM entails development and maintenance of a reliable plan structure (Noakes-Fry and Diamond, 2001).
- BCM incorporates efficient resource commitment and task allocation and can ensure full competency of resources to plan implementation, including testing through worst-case scenario drills (Noakes-Fry and Diamond, 2001).

Potential Disadvantages

- BCM can over-rely on support of consultants, recovery services and software (Noakes-Fry and Diamond, 2001).
- Business continuity planning often tends to neglect maintenance and thus it can be of little practical use in emergency situations (Noakes-Fry and Diamond, 2001).
- Business continuity planning often focuses on one part of an organisation at the expense of other functions or processes (Noakes-Fry and Diamond, 2001).

Case Studies

- In 2011 a hack of the Sony Playstation Network which resulted in customer information loss, including credit card data, forced Sony to shut down the network for a month until new better security was put in place. The outage cost the company an estimated US$10m a day (Caldwell, 2012).
- In April 2011, Amazon Web Services suffered a server failure at its flagship data centre in Virginia disrupting services for thousands of businesses such as the Reddit and Foursquare websites and Heroku business service providers. The worst of the outage lasted

for 12 hours, took four days to completely restore operations and resulted in an irretrievable loss of data from customers (Palmer, 2011).

- In 2008 Wal-Mart introduced supply risk monitoring to ensure business continuity, categorising countries based on supply chain infrastructure (high, medium or low). Countries are now assessed on risks associated with terrorism, insurrection, crime, political and regulatory environments, natural disasters based on a quantifiable measure of the actual risk to each nation's supply chain emerging threats (Jourdan and Michealson, 2009).

Further Reading/References

Web Resources

- Effective business continuity plans http://www.computerworlduk.com\how-to\it-business\3277969\how-to-develop-an-effective-business-continuity-plan\
- Business continuity and cloud computing http://www.businesscontinuityblog.com/
- Supply management guide to business continuity http://www.industryweek.com/articles/a_supply_chain_management_guide_to_business_continuity_23902.aspx
- Useful Business Continuity Management resources http://www.talkingbusinesscontinuity.com/useful-documentation.aspx
- Advice on Business Continuity Management http://www.surreycc.gov.uk/people-and-community/emergency-planning-and-community-safety/emergency-planning/business-continuity-management

Books

- Business Continuity Management, Hiles, ISBN 978-0470670149
- Business Continuity Management, Hotchkiss, ISBN 978-1906124724
- Practical Business Continuity Management, Osborne, ISBN 978-1906316013
- The Business Continuity Management Desk Reference, Watters, 978-1907820000
- Business Continuity Management, Elliott, 978-0415371094

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Video

https://www.youtube.com/watch?feature=player_embedded&v=BrfXIFOUlmk

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