Business Continuity - The Theory

Mark Redding
Account Manager MSIG
Cambridge 2011
Why plan?
What is BCM?

• Having a competent team to deal with disrupting events
• Anticipating (some of) those disrupting events and planning for them
What do I believe?

- 50% of all businesses affected by disaster fail, in the absence of effective continuity plans, within 12 months

- “Every year around 20% of all business across the United Kingdom face an event that is unplanned, unwanted and sometimes challenges their very survival. 80% of affected business will never fully recover.”

- Business continuity planning significantly reduces the “pfaffing” time following an untoward incident

- BCM does protect reputation, brand and share value (public image, brand and continuity of supply is far more important than physical / financial loss)

- Effective response to a crisis is a bigger survival factor than insurance
Why do Insurers care?

<table>
<thead>
<tr>
<th>Total (all occupancies)</th>
<th>26%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>4%</td>
</tr>
<tr>
<td>Warehousing</td>
<td>8%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>11%</td>
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<tr>
<td>Food &amp; Drink</td>
<td>26%</td>
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<tr>
<td>Industrial Processing</td>
<td>31%</td>
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<tr>
<td>Retail</td>
<td>44%</td>
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Recommended guidance

Mitsui Sumitomo Insurance Group

Risk Guidance Note 39
Business Continuity Management (BCM)
(A summary of BS 25999:1:2006)

1. Definition of BCM

"Business continuity management process that identifies potential threats to an organization and the impacts to business operations that these threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities."

BCM involves both the management of an incident and the management of the overall programme through training etc.

Through BCM, an organisation can recognise what needs to be done before an incident occurs to protect its people, processes, technology, information, supply chains, stakeholders and reputation.

2. The benefits of BCM

Through BCM an organisation:
- Is able to proactively identify the impacts of an operational disruption
- Has a plan for an effective response to disruptions which minimizes the impact on the organisation
- Maintains a business ability to manage uncertain risks
- Encourages cross-functional working
- Is able to demonstrate a credible response through a process of exercising
- Could enhance its reputation
- Might gain a competitive advantage conferred by the demonstrated ability to maintain delivery

Introducion

This guide takes you through the BCM process from start to finish. It is designed to be used by those without any previous knowledge of Business Continuity but is equally applicable to those that have started the process and require further guidance. The content is based very closely on the Business Continuity Institute’s Good Practice Guidelines 2016 (Global Edition).

The approach recommended by MSIG is to break the process down into a number of distinct and manageable projects, as detailed in the following section "BCM Project List". The main body of this guide should then provide sufficient guidance to allow each of these projects to be suitably completed.

A number of sample templates are provided as appendices to simplify the process and provide additional guidance as to what detail is required at each stage of the process.

Further information and assistance is available from Mitsui Sumitomo Risk Engineering Account Manager (contact details at the end of this guidance note).
How is it done?

Two stages

• 1. IMPLEMENTATION: A set of discrete, finite projects

• 2. PROGRAMME MANAGEMENT: the on-going process

Don’t try to eat the elephant in one go
## 1. Implementation

<table>
<thead>
<tr>
<th>Project No.</th>
<th>Projects</th>
<th>Section Reference</th>
<th>Page</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Initiation project</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Establish Organisation’s objectives</td>
<td>1.1</td>
<td></td>
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<tr>
<td>3</td>
<td>Establish Scope</td>
<td>1.2</td>
<td></td>
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<tr>
<td>4</td>
<td>Develop BCM Policy</td>
<td>1.3</td>
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<tr>
<td>5</td>
<td>Assign responsibilities</td>
<td>1.4</td>
<td></td>
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<tr>
<td>6</td>
<td>Implement awareness campaign</td>
<td>2.1</td>
<td></td>
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<tr>
<td>7</td>
<td>Identify training needs (gap analysis)</td>
<td>2.1</td>
<td></td>
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<tr>
<td>8</td>
<td>Develop training programme</td>
<td>2.2</td>
<td></td>
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<tr>
<td>9</td>
<td>Complete Business Impact Analysis</td>
<td>3.1</td>
<td></td>
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<tr>
<td>10</td>
<td>Complete Continuity Requirements Analysis</td>
<td>3.2</td>
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<tr>
<td>11</td>
<td>Evaluate threats through risk analysis</td>
<td>3.3</td>
<td></td>
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<tr>
<td>12</td>
<td>Identify and select recovery strategies</td>
<td>4.1</td>
<td></td>
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<tr>
<td>13</td>
<td>Identify and select tactical responses</td>
<td>4.2</td>
<td></td>
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<tr>
<td>14</td>
<td>Consolidate resource levels</td>
<td>4.3</td>
<td></td>
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<tr>
<td>15</td>
<td>Implement the agreed strategy and tactical options</td>
<td>4</td>
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<tr>
<td>16</td>
<td>Agree &amp; implement incident response structure</td>
<td>5.1</td>
<td></td>
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<tr>
<td>17</td>
<td>Assign roles and responsibilities to recovery teams</td>
<td>5.2</td>
<td></td>
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<tr>
<td>18</td>
<td>Develop and populate business continuity plans</td>
<td>5.2</td>
<td></td>
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<tr>
<td>19</td>
<td>Develop exercise programme</td>
<td>6.1</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Instigate a maintenance regime</td>
<td>6.2</td>
<td></td>
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<tr>
<td>21</td>
<td>Integrate BCM within the existing audit regime</td>
<td>6.3</td>
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2. Programme management

- BCM Board Sponsor
- BCM Manager
- Others: steering group; department managers
- Documentation
  - Policy
  - Training records
  - Impact analyses
  - Business continuity plans
  - Threat assessment
  - Exercise reports
- Awareness and training
- Maintenance and audit
- Exercise programme
Key elements for success

- High level support and commitment
- Scope defined
- Responsibilities assigned
- Key products and services identified
- Supporting resources and single points of failure identified
- Appropriate strategies determined (recovery times)
- Practical, realistic and useable plans written
- Exercise, maintenance and review
- Involve everyone
- Embedded within the culture
  - Risk management
  - Change management
  - Audit process
  - Reward structure
Recommended approach

• Use the BCI Good Practice Guidelines

• Follow the principles of BS 25999

• Involve your Insurer to:
  • Review policies and documentation
  • Facilitate the business impact analyses
  • Assist in the population of continuity plans
  • Organise exercise programmes
  • Ensure that the BCM programme is relevant and appropriate
  • Provide general guidance

• OR engage external consultants
Thank you for listening (and staying awake)
BUSINESS CONTINUITY MANAGEMENT
THE REALITY

Gary Weatherhead – Group Compliance & Safety Manager
Palmer & Harvey Ltd
Palmer and Harvey

- £4.1 billion turnover
- UK’s 4th largest private company
- UK’s largest delivered wholesaler
- 3,300 employees
- 48,000 deliveries per week
- >800 Group vehicles
- Supplier to major grocery multiples, convenience operators, forecourts, CTNs, off licences, on trade
- Direct distribution contracts with manufacturers
- 63,000 customers
In the beginning………

2002 / 3

A man with a plan (well an ex Director who needed some work!)

- Review of all Distribution Centres
- Centring on resources
- Counting paperclips
- Spreadsheet city

Agreed project was going nowhere after 5 months
2003-2004

THE CORPORATE BLACKHOLE
2005/6

2 men and a plan - that’s progress!

- ‘The book’ produced
- Out of date before published
- First emergency contacts list
- Considered software companies – quotes of £50-100K
- Recommendation from review – ‘A software solution is the only way forward!’
The beginning of the end………

November 2007

- Management buyout & new MD Operations
- Broker pushes – ‘It will save on your premium!’
- Meeting with Jon Salter of Elciem, presentation on the principles
- Embarrassment on what we had
- BCP Group formed, sponsored by MD Ops.
- Trial Distribution Centre chosen
Early 2008 – Initial Meeting

- Brandon Distribution Centre
- Medium sized
- Relatively quiet
- Small management team
- Willing DCM
Our saviour
Greggs the Bakers

Not just good sausage rolls……
LOCALLY

Business Impact Analysis

- Follow BS25999 guidance – Impact of disruption; disruption scenarios; weaknesses and strengths; risk assessment
- Use of Elciem template – a great starting point
- Look at areas of the business
  - Goods in
  - Picking, marshalling & loading
  - Transport
  - I.T.
  - Maintenance
  - Security
  - Labour

No 1 Question – What If?
GROUP

Business Continuity policy

- Policy statement
- Responsibility – CEO down
- BIA
- Incident response & management plan
- Guides
- Essential contracts
- Grab Pack
- Media
- Training
- Exercising – maintaining and revising
Advantages

- Brought whole management team together
- Something different
- Learning about different areas of the business
- ‘Proud’ to be trial branch
- Other DC’s enquiring – ‘Whats it all about?’

Issues

- Unsure of Head Office procedures
- Lack of clarity of IT resource and capability
- The Unknown – are we doing this right?
August 2008

Rollout to DC’s in 2 phases

1. Presentation on BCP principles & workshop on BIA’s – 3 months to complete. Using Brandon as template.

2. Presentation on how to handle a BCP incident following feedback from October exercise
October 2008

- First desktop exercise at Brandon
- Fire Strategy Company
- Performed well for first time
- Management of Incident very interesting
- Learnings communicated to all in training sessions
- Long list of action points
- Clear much work needed at Head Office re linkage
November 2008

**Head Office**

- 300 staff
- 12 M ‘0’ managers – all think they are important!
- Admin & I.T. hub
- Hove – centre of the UK!
- Initial presentation followed by BIA Workshop
- Full details of disaster recovery centre revealed
Senior Management team informed of critical issues following all BIA Exercises.

Included:-
- Back up procedures for failing of voice pick system
- Lack of contingency for CO2 refrigeration system
- Failure of Roadnet routing system
- IT Ability to transfer orders to other branches
- Old telephone system
- No back up generators at smaller sites
- No sprinklers at smaller warehouses
Jan 2009

Internal desktop exercises commence Group wide

- Must be realistic
- A total loss is easy to deal with
- Psychologists dream
- Organisation & structure are the key
- Feedback & action plans
- COMMUNICATE TO ALL – SAME PROCESSES
- Second exercise 3 months later

Examples
- Fire in part of building
- Electrical substation failure for 36 hrs
- Major fire and gas explosion on industrial estate – no access
- Flood in Bristol DC – next to the Avon
2009

Consolidation

Rome wasn’t built in a day!!

Improving DC response
Tackle issues – 1 by 1
Much work at Head Office
Jan 2010

Head Office – Desktop Exercise
- Unexploded bomb found during road works
- Immediate evacuation
- Eventual decamp to Disaster recovery centre

Main Learning's
- Concentrate on main issues
- Communication with staff poor
- Was the BCP leader the best for the job?
- Critical time period for decamp decision
- What is critical?
Ongoing Monitoring 2010

- 2010 – further 2 desktops – From 2011, 1 per annum

- Part of internal audits – check management meetings, list of contacts, internal mini BCP’s

- Details on monthly Board report

- Audit details to MD Operations – scoring audits

- Regular feedback to all DC’s following exercises – no hiding place

- Good communication between all on incidents

- Majority are Mini BCP’s. 22 between March 09/11. Same processes apply
Judgement Day.. Wednesday 18th May 2011

- Aylesford Distribution Centre
- 40,000 sq ft chiller and freezer
- Services SE region
- 900 Pallet spaces in frozen
- Runs on two compressors
- No previous issues – regular maintenance
Wednesday 18th May 2011

- 6PM (Tuesday) - Problems with plant
- 1PM - Informed oil cooler from compressors could not be fixed – single point of failure
- 3PM - local decision made to empty freezer
  - Local coldstores contacted for space and transport
- 3.30PM - Emptying commences and continues through the night
- 5PM - Decision made not to deliver following day. All resources into saving stock
Thursday 19th May 2011

- 8AM - Conference call with BCP team on site, Lead by Director of Regional distribution, and other DC’s
  - Confirmed decision to scrap Thursday deliveries
  - Update on freezer not good, 4-5 days
  - Plans worked on for picking in other DC’s - 3pm deadline
  - 3 other DC’s utilised, split by area

- Big test for IT to transfer orders – where theory meets reality
- Communication to customers begins – update them regularly
Thursday 19th May 2011

- 10AM
  - freezer temp unacceptable – emptying stops
  - 750 Pallets removed and relocated
  - 150 Pallets remain low value
  - Loss Adjuster awaited
  - Resources transferred to other DC’s
  - Chiller remains working
Ongoing

- 2 conference call per day 8AM & 5PM
- Daily Plan agreed
- The news gets worse… Floor above freezing, new part in Denmark
- Anticipated resumption Friday 27th May 2011
- Major new range for customer scheduled for Tuesday 24th May – separate Group look at this
- IT is working!! On schedule!!
The result!

• 120 accounts transferred for picking and delivery
• 500 accounts transferred for picking only, for trunking
• 10 trunkers nightly from Coventry
• Over 50 extra picking staff utilised, some from Aylesford
• Good co-operation with major customers – communicate
• Some customers didn’t even realise
• IT a great success – first real live test
• Contact lists – other coldstores / hotels / extra agencies etc. all up to date
• Seamless restocking of coldstore
Mitsui Sumitomo Happy?

Potential stock loss – £1.4 million

Actual stock loss approx £30K

Probable claim £160,000 – £50K excess
Summary

- Great Success
- Opened eyes of the board further to BCP
- Full review of all refrigeration equipment – single points of failure
- Capital mysteriously available for updates
- Tested I.T. and planned systems – all worked. Further tweaks suggested
- Great camaraderie – it’s good to talk.
- BIA and previous desktops very useful
- Pre arranged contacts – saved much time (and stock)

- 8 days was the limit – everyone knackered but satisfied with a good job done!
Heather Small – BCP Expert??

- ‘Reflections on the fears left behind’
- ‘Still so many answers I don’t know’
- ‘Realise to question is to grow’
- ‘So step out of the ordinary’
- ‘We need a change… Do it today..YEAH’
- ‘I can feel my spirit rising!’
- ‘Cant stop me now!’