

# Management *action* notes



## Business Continuity Management - Preventing Chaos in a Crisis

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It is better to prevent chaos in a crisis than have to recover from a disaster. Business Continuity Management helps avoid chaos by concentrating on everything that is needed to continue the key business processes, whatever the catastrophe. It differs from disaster recovery planning as it is proactive, although a realistic understanding of good risk management is crucial. The overall objective is for a continuing process to feed into a 'plan' - a written programme of action to be implemented when the (almost) unimaginable happens.

### Benefits

Assuming a disaster occurs (and this guide may help to avoid one), effective management will help to minimise any negative impacts and increase the possibility of maintaining or even increasing shareholder value subsequently. Following the actions in this guide will also have a significant impact on the amount of business interruption insurance required and may well reduce insurance premium levels.

### Audience

These notes are relevant to all directors and managers.

### The series

The series of Management Action Notes is published by the Management Best Practice Directorate of the Department of Trade and Industry as part of its campaign to improve the competitiveness of British companies. More details are available via the web site [www.dti.gov.uk/mbp](http://www.dti.gov.uk/mbp)



## Business Continuity Management - Preventing Chaos in a Crisis

For reasons that may be quite beyond its control, every company faces the threat of serious business interruption. With Business Continuity Management (BCM), however, a company can remain competitive and profitable despite disasters looming.

BCM is about taking reasonable steps in anticipation of unreasonable risks. It will help to prevent chaos during the four typical disaster phases:

### *Crisis*

Within the first few hours of the incident, the type and scale of the problem becomes known. Examples might be ongoing damage to the premises or restricted access.

### *Emergency response*

This may last for a few minutes or a few hours. During this time the situation has to be assessed and decisions made quickly.

### *Recovery*

This phase may last several months: it only ends when normal operations can restart. During this phase essential operations will restart and continue in recovery format.

### *Restoration*

The 'back-to-normal' phase. Planning for this may start within a few days of the actual incident although - with physical damage to the premises, for example - it may take some time to attain.

### **'But we have a disaster recovery plan...'**

Many companies will have a disaster recovery plan - this is good news in that it shows an appreciation of the problem. However, if the plan has never been tested, or if its implementation is impractical, the news is less good.

The reasons that organisations fail when they could have prospered in a crisis may be any of the following:

- ✘ Key business functions and managers were unconnected within a recovery plan
- ✘ Early signals that things were going wrong, or were about to go wrong, were not interpreted correctly

- ✘ The interdependency of key business functions was not fully appreciated. Crisis in one area can have an immediate knock-on effect elsewhere
- ✘ No recovery plan was prepared and/or tested to respond to a sudden loss of IT systems and databases
- ✘ No training and awareness was developed of the need for effective public and media relations strategies in a crisis
- ✘ No crisis team was formed, leading to ignorance of the situation as a whole and loss of time. Even crises that do not seem too serious can induce chaos and lead to disaster.

### And don't just think about insurance or IT!

Faced with a disaster, organisations may be unrealistic about the value of an insurance policy, or may concentrate solely on IT recovery.

Whilst insurance is important, the fact remains that uninsured costs (fines, loss of experience, adverse publicity, re-training etc) frequently exceed insured costs after a crisis. Risk awareness should be integrated into the overall management process so that it gets the proper amount of attention in relation to all the other business demands.

Similarly, the recovery of IT systems and databases is crucial for most companies, but this should be done at the expense of the continuance of other key business functions. Having a Crisis Management Team prepared to act swiftly, with confidence and according to a tested plan, can determine failure or success.

Recent research at Oxford University (R Knight & D Pretty 1996) reinforces the value of effective management. The research presents evidence which suggests that a firm's recovery of shareholder value immediately following a catastrophic loss is largely independent of insurance cover. It depends more on 'high quality risk management and contingency planning systems'.

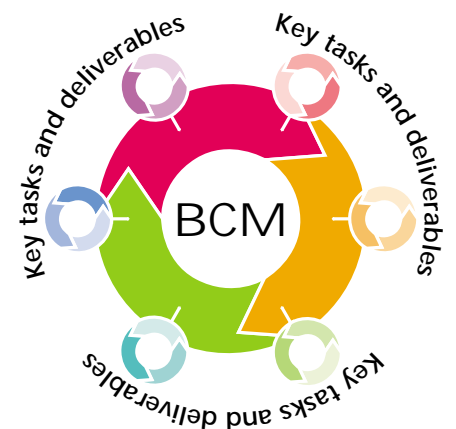
Insurance and IT recovery are both very important, but should be seen as only part of effective risk management and, with a view to crisis management, BCM.

### The answer lies in BCM

BCM, then, is an ongoing process designed to link some special tasks - all aimed at keeping the business afloat should crisis strike.

It is a comparatively new approach to looking at your business and considering where it is vulnerable to the effects of possible disasters. It is about making judgements as to what are the critical

**FIGURE I**  
*BCM is an ongoing process that develops and links key tasks and deliverables*



areas, and planning to maintain the business beyond any catastrophe that may occur. Major international companies do this as a matter of course, and the lessons they have learned can be used by small and medium companies to ensure survival.

Remember too that, when a crisis happens, management is placed in the spotlight. While this may be uncomfortable, it can also be beneficial if the crisis handling has been perceived as efficient.

In an age where the unthinkable has become possible and the unlikely commonplace, the question is not whether a business can afford to implement BCM strategies but whether it can afford not to.

## The BCM process

**FIGURE II**  
*BCM - An ongoing process*



There are several variations in building up a BCM process. Many organisations start BCM by first writing a Business Continuity Plan then developing a BCM structure to ensure the plan is ready for action at all times. Wherever the starting point, this must be a key responsibility. Figure II shows the stages underpinning the development of a BCP.

### 1 Top level commitment secured

Board level commitment is vital. Without top down direction, support and ownership, success in both the BCM process and activating the BCP will be difficult, if not impossible.

### 2 Initiate the management process

The next step is to initiate or develop the management process. It is a good idea to identify a team which will take on the process as a continuing project, rather than a one-off event. It may be useful to agree:

- ✓ Time scales for key deliverables
- ✓ Budget
- ✓ Regulatory/statutory/contractual obligations
- ✓ Where specialist help will be needed (see page 9)
- ✓ Who will form a Crisis Management Team?
- ✓ An initial BCP, in case of a catastrophe before the end of the planning process!

### 3 Identify the threats and risks

Routine and effective risk management, relating to all types of risk, is very important to understanding this guide, although BCM is more

concerned with those threats and risks that can cause corporate catastrophes.

One way to record where basic risks or threats may arise is to first plot them on a framework as below, ranging from People/Organisational to Technical/Economic against Internal/External factors. Figure III shows just some of the crisis types.

#### 4 Manage the risks as part of risk management

If risks can be described sufficiently accurately for the probability of them happening to be calculated on the basis of past records, these are insurable risks. If the risk is met so infrequently that no accurate way of calculating the probability exists, no underwriter will insure against it and it becomes an uninsurable risk. Either risk, poorly handled, can result in disaster, if only through serious damage to reputation.

Once threats and risks have been identified they can be plotted under the headings of severity and frequency, see figure IV.

Although firmly linked to risk management, BCM does not distinguish between insurable and non-insurable risks. However, it can be especially effective in cases of high severity/low frequency incidents.

A simple way to assess the more physical risks, in this case to premises, is the ABC method.

*A = Area*

The risk to your premises may result from something outside the actual building. Perhaps a company close by may attract protesters, extremist groups or even terrorists. Within the immediate area, there could be a compound storing, for example, toxic or hazardous chemicals, or an adjacent river that is likely to swell in heavy rain. Neighbouring premises could have a history of suspicious fires. It is necessary to consider all possibilities.

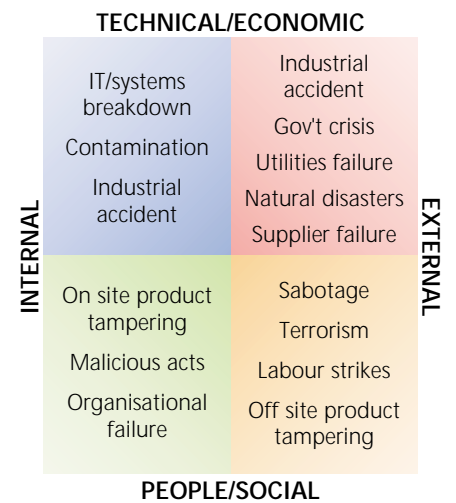
*B = Building*

The structure you work in may be vulnerable to fire, sabotage, air-conditioning failure (which could jeopardise IT systems) or may otherwise be insecure. You might also share it with other occupiers about whom you know nothing. The power supply may be through one entrance point. Shared water pipes could be susceptible to rupture. Telephone and/or ISDN lines may be also exposed to damage.

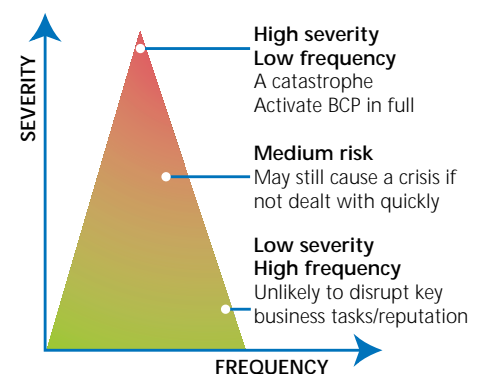
*C = Contents*

What items or assets under your control might cause a problem? This could be as a result of theft, sabotage, overheating, contamination, pollution, flooding, equipment failure etc.

**FIGURE III**  
*Examples of different types of crisis*



**FIGURE IV**  
*Risks rating/probability*



## 5 Business Impact Analysis (BIA)

The BIA is intended to identify the impacts resulting from disruptions to both primary and secondary business functions.

Primary functions are those tasks critical to the company (eg revenue generation), and may include supporting functions to ensure primary tasks are completed. Secondary functions are important but not so vital to recovery - the personnel department may be an example. Tasks that fall into neither category may form a third group that is valuable to the organisation in routine operations, but can be suspended for several days in a crisis.

Collecting accurate data on all business functions is very important. This is normally by questionnaires and interviews, and often requires specialist help (see page 9). This is the cornerstone to the BIA process.

It is important to predict the likely sequence of business units 'collapsing' if one or more primary functions cannot operate. That is why the BIA stage is crucial to BCM and will underpin the effectiveness of the subsequent BCP.

The BIA helps to predict the disastrous impacts and to define the single points of dependency that could initiate these impacts.

## 6 Develop strategies

This stage has several facets. At this part in the process, variable recovery ideas or strategies can be looked at including how to communicate with:

- ✓ Staff
- ✓ Suppliers
- ✓ Shareholders
- ✓ The media
- ✓ Customers
- ✓ Regulators.

It will also be necessary to calculate:

- ✓ Off-site recovery requirements (recommended)
- ✓ The viability of internal or external solutions (ie third-party IT recovery sites)
- ✓ Which business units/functions (ie primary and secondary) should prepare their own recovery plans as a sub-set of the BCP and which managers are best placed to prepare them
- ✓ The most effective way to deal with inevitable media interest in a crisis. Avoid a reactive or 'grudge' style. Perception is influential - it is possible to make a virtue of your handling of the situation and gain rather than lose

- ✓ Training, testing and rehearsing the plan. Testing is vital to determine the effectiveness of the plan, and should include all third-party crisis support
- ✓ Location of an Emergency Control Centre near enough to the crisis site to allow the Incident Control Team to use (see page 8), yet far enough away to avoid the incident. Get the views of the Police in advance. The Emergency Control Centre may need some or all of the following:
  - ✓ A location in a secure area
  - ✓ Good communications. Dedicated telephone lines in and out (confidential), fax/e-mail
  - ✓ Adequate stationery, including purchase order forms, maps of the premises, white boards, local routes etc
  - ✓ Workstations for all team members, possibly with network access
  - ✓ 24 hour access and parking
  - ✓ Refreshment and toilet facilities
  - ✓ A meeting room
  - ✓ A quiet room or area with a telephone.

Ideal recovery timescales should be identified in advance for key business functions, and alternative business operating strategies may need to be considered.

A crisis management team can be formed in many different ways. Figure V shows one possible team set up. The team will need to work closely, so avoid groups of people that will seldom meet in normal circumstances.

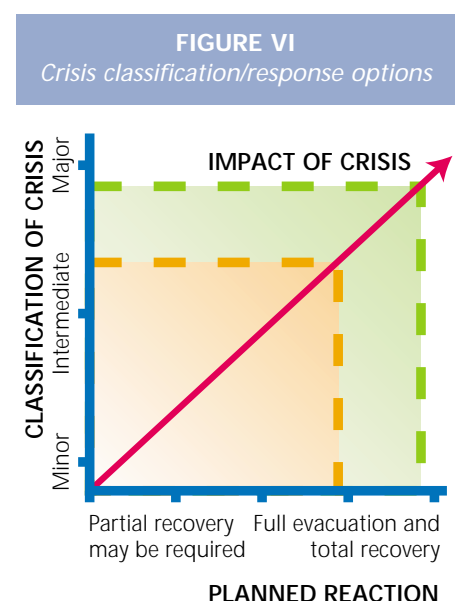
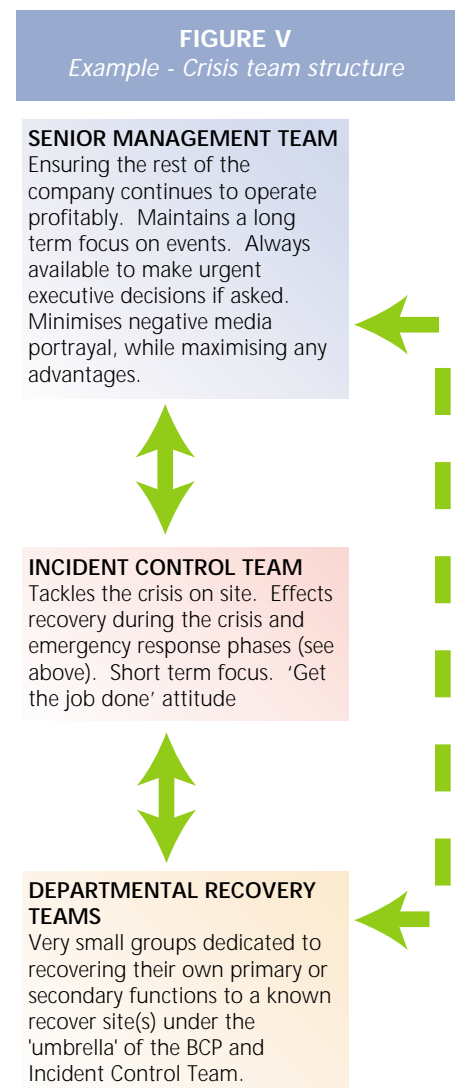
Very few disasters happen suddenly. They tend to start as a crisis which becomes progressively worse when inefficiently managed. The crisis can be compounded by poor media and public relations.

At this stage in the BCM process, variable or strategic options should be considered rather than a simple 'all out' or 'all in' response. It should be clear where to intervene if the crisis is escalating. This should result in an 'action plan' that reduces the likelihood of under or over reacting. By classifying the crisis (see figure VI), it will be possible to gauge the level of response appropriate to the scale and spread of the incident.

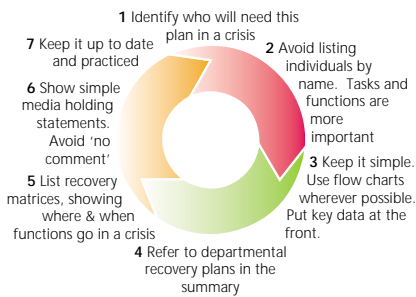
## 7 Developing and implementing the plan (see figure VII)

When writing a Business Continuity Plan, consider the following:

- ✓ It should be an action plan - easy to use and understand in a crisis
- ✓ It should be constructed on the basis of a risk assessment, set around achievable recovery



**FIGURE VII**  
*Developing and implementing a BCP  
 - some ideas*



- ✓ It should be dovetailed to individual departmental recovery plans
- ✓ Copies must be kept off-site
- ✓ The listed Crisis Management Team should be a natural extension of routine management, not a collection of unfamiliar staff
- ✓ Top level management must endorse it
- ✓ It should be the product of reality above idealism and 'owned' by all those with a role to play in a crisis
- ✓ It should list possible media holding statements to avoid 'no comment'
- ✓ It should be easy to maintain and tested - often.

### 8 Test, exercise and maintain the plan

Exercising the BCP is a way to rehearse staff in their roles. However, first test to see if it works. Perhaps start with a 'paper walk-through', then a 'table top' test and feed back the results. Third-party help may be needed.

## Leading the Crisis Management Team

Experience has shown that, when suddenly faced with a catastrophe, many crisis managers try to follow known references. The more disturbing the situation, the stronger the urge to take refuge in familiar procedures - even if these are not the most appropriate. The role of Crisis Management Team leader is vital, and should be clearly defined in respect of what, when and how tasks have to be accomplished.

In order to achieve these tasks and to hold the team together, certain key functions have to be performed. A function is what you do, as opposed to a quality which is what you are. John Adair, a specialist in leadership techniques, lists three ingredients, or variables, when people are working together as a team (see figure VIII).

A high-performance Crisis Management Team has the following characteristics:

- ✓ Clear and realistic objectives
- ✓ Trust in the continuity plan
- ✓ A shared sense of purpose
- ✓ The best use of resources
- ✓ An atmosphere of openness.

An effective team also:

- ✓ Reviews progress
- ✓ Builds on experience
- ✓ Holds together under stress.

Two other important aspects of preventing chaos in a crisis are:

**FIGURE VIII**  
*Three areas of need in a team. The leader must balance all three to ensure a crisis management team works best under pressure*



### A Management 'styles'

The team will have to deal with a range of situations from strategic/top level issues away from the activity of the crisis to operational or urgent directions at the scene

### B The range of different tasks

These broadly fall into two categories - controlling the incident, or recovering from it. Both can be applied simultaneously to avoid wasting time.

Management style refers to understanding the different management considerations needed to minimise the risk of 'trying to do everything'. Some decisions might urgently be needed at the scene, while others have a more strategic impact and can be considered in more depth.

For example, strategic/medium to long term style, often at more senior level, would include the restoration phase - reassuring shareholders and potential investors, implementing subsequent product alterations, handling media relations etc. Operational or more urgent style applies where the focus is on solving an immediate problem, without any medium or long-term considerations. This would be the case when trying to stop the impact (eg flooding) from spreading at the crisis scene.

Once the crisis has been replaced by the recovery phase, it is wise to stop referring to the 'Crisis' Team since it gives the wrong impression.

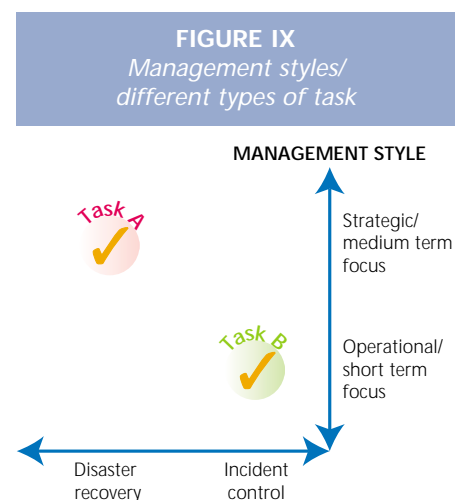
The range of different tasks is equally important. It is necessary to distinguish those tasks aimed at controlling the actual incident (eg liaising on site with the Fire Brigade/Loss Assessor/Adjuster etc) and those tasks aimed at recovery (eg making sure off-site back up systems are operational, how to transport staff to an alternative site etc).

Also shown on figure IX are the types of tasks when completed. For example, task A could be holding a second media interview to reassure stakeholders that recovery is well under way. Task B, on the other hand, could be setting up the Emergency Control Centre.

## Availability of specialist support

There are many companies that will supply support services to anyone starting the BCM process, or stuck somewhere in the middle! These range from very large IT recovery operations that mirror your own operations, to one-man consultants specialising, for example, in antique restoration after a flood or fire.

It is a good idea to first determine exactly where you need help. You can then identify who may be qualified to give you support.



The following represent the key areas where professional help may be an advantage. They are also the core skills required by the Business Continuity Institute (BCI) for membership to that organisation.

*1 Project initiation and management*

Help in establishing the need for BCM or a BCP including:

- ✓ Obtaining management support
- ✓ Organising and managing the project to completion within agreed time and budget limits.

*2 Risk evaluation and control*

Help with:

- ✓ Determining the events and environmental surroundings that can adversely affect the organisation
- ✓ How to provide cost-benefit analyses to justify investment in controls to mitigate risks.

*3 Business Impact Analysis*

Identification of:

- ✓ Impacts resulting from disruptions and disaster scenarios that can affect the organisation
- ✓ Techniques that can be used to quantify and qualify such impacts
- ✓ Critical functions, their recovery priorities, and inter-dependencies so that recovery time objectives can be set.

*4 Developing business continuity strategies*

Support in:

- ✓ Determining and guiding the selection of alternative business recovery operating strategies
- ✓ Maintaining the organisation's critical functions.

*5 Emergency response and operations*

Advice on:

- ✓ Developing and implementing procedures for responding to and stabilising the situation following a crisis
- ✓ Establishing and managing an Emergency Control Centre.

*6 Developing and implementing a BCP*

Help in the design, development, and implementation of a BCP that provides recovery within the recovery time objective.

*7 Awareness and training programmes*

Advice on preparing a programme to create corporate awareness and enhance the skills required to develop, implement and maintain BCM.

### *8 Maintaining and exercising business continuity plans*

Support in:

- ✓ Pre-planning and co-ordination of plan exercises
- ✓ Evaluation and documentation of plan exercise results
- ✓ Verification of the plan's effectiveness by comparison with a suitable standard.

### *9 Public relations and crisis co-ordination*

Help with:

- ✓ Developing, co-ordinating, evaluating and exercising plans
- ✓ Public and media relations during crisis situations
- ✓ Suggestions on providing trauma counselling for employees and their families.

### *10 Co-ordination with public authorities*

Helping to establish procedures and policies for co-ordinating continuity and restoration activities with local authorities, while ensuring compliance with applicable statutes or regulations.

## Conclusions

There is a tendency in many businesses for top management to concentrate on actions that directly increase profits - like buying new plant or regrouping the sales team - while overlooking those that reduce risks and prevent chaos when an 'unforeseen' crisis occurs. But both activities should ideally have the same emphasis and resources.

Recognising this, many organisations are beginning to introduce and manage effective Business Continuity Management in parallel with routine risk management. They realise that preventing chaos in a crisis by ensuring that adequate preparation is in place is vital to business survival.

Ultimately, it is the responsibility of the board of directors to ensure that the company is acting responsibly and is suitably prepared to deal with crises. This guide and the contacts on page 12 can offer help to develop a common-sense approach to business survival when faced with potential disaster. They can ensure that chaos - while not welcomed - can be turned to business advantage.

## Where to go for help



### **Business Link**

Click [here](#) to find your local Business Link



### **The Business Continuity Institute**

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Telephone: 0870 603 8783

E-mail: [John.Sharp@btinternet.com](mailto:John.Sharp@btinternet.com)

Web site: [www.thebci.org](http://www.thebci.org)



### **The Business Continuity Information Centre**

Web site: [www.business-continuity.com/](http://www.business-continuity.com/)



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