

Risk Management - Ten reasons to develop Business Continuity Plans

Let's be honest the thought of developing Business Continuity Plans hardly sets the pulse racing does it?

It may well be that more and more large customers are expecting their smaller suppliers to put Business Continuity Plans in place; but on that basis Continuity Planning is just another cost hurdle that SMEs have to jump before doing business with bigger companies. A similar argument persists when we have to comply with regulators, or industry standards, by having Business Continuity Plans in place.

Even though most of us recognise the practical benefits of sensible Risk Management and preparation for disruption, are those benefits enough to justify the management time and the financial cost of implementing effective Business Continuity Plans.

This article has one objective; to convince you that sound Business Continuity is worth all the effort and cost.

To do this we're going to list some of the potential benefits from the Business Continuity Planning process. But the difference here is that the ten points below are commercial benefits that will add value to your business.

You can do this because Business Continuity is essentially a Business Review tool looking at all aspects of your operations, identifying critical elements and then taking steps to protect those elements with pre-disruption mitigation measures and, should the worst happen, Business Continuity Plans to recover from disruption.

One other side benefit: because so few SMEs do Business Continuity Planning properly (if at all), you can generate plenty of competitive advantage if you do!

So here we go, here are ten areas that effective Business Continuity Plan preparation will consider. These areas can yield significant competitive advantage, increased profitability and enhanced stability for your organisation:

1. Staff Skills and Knowledge

Do any members of staff have any specialist knowledge or skill not shared with anybody else. If they do, come a disruption and a specialist member of the team not being available, business recovery could be hampered. But commercially it's dangerous too, because that member of staff could decide to leave at any time, taking their skills with them.

2. Management Dependency

A similar situation exists for management. In a crisis top managers should be able to undertake each others' duties in case one or more are away or sick at the time of a disruption. In SMEs one or two senior owner managers often have critical knowledge, which is bad in a crisis, but dreadful from a succession planning perspective. No acquirer would want to pay full value for a business if the owners

leaving (with cash in hand) would leave the business horribly short of follow on leadership.

3. Equipment

What key equipment do you use and if you suffered a disruption how would you be affected? This could be the office photocopier or a machine in the factory, but the principle is the same, if downtime hurts you have to do all you can to avoid it. Continuity Planning helps find your critical equipment, and enables you to investigate downtime (or disruption) and identify bottlenecks that could harm your efficiency and profitability.

4. Finance and Working Capital

How close to the edge are you? If cash flow stopped or slowed tomorrow (which always happens in a business disruption) how could you cope? If you couldn't cope for very long at all, then your business is living too close to the edge. You need to improve your day-to-day management of working capital so you have more resilience for ordinary business and unscheduled bumps in the road.

5. Information Technology and Communications (IT)

Does IT drive your business? It does for many; and that means expeditious recovery of IT systems after a disruption is vital. Of course looking at IT criticality helps you examine how IT is used in your business and often you can find new and more efficient ways to harness that IT to help you make better products, provide better services and generate more profits.

6. Suppliers

The phrase 'Sole Supplier' conjures up images of price discounts, bulk volume and a special working relationship; all great, until the sole supplier has a disruption of their own and they can't provide you with what you need to operate your business. Continuity Planning drives you to look at supply alternatives, and that can lead to new sources which can surprise with better prices, enhanced quality and more supply options.

7. Marketing Publicity and Reputation

Marketing, Publicity and Reputation are everything in business whether you sell cheap discount food or luxury cars, your reputation matters. Your marketing approach and reputation will be studied closely in the Continuity Planning process and you will find ways to improve your day-to-day approach alongside helping the business recover from disruption.

8. Customers/Clients

In a crisis scenario, the strength of your market reputation can keep customers engaged longer and willing to support your recovery. Keep them involved in the recovery process and they feel part of the team. But of course you have to remember, the factors that form competitive advantage can also hurt you after a disruption. For example, if your business is known for the fastest turnaround in town any disruption hampering turnaround speed could harm your reputation and incoming order levels.

9. Business Processes

We all know about the Business Process Re-engineering that was popular in the 1980s. But have you looked at your processes and checked how efficient they are? The Business Continuity review will do this and in your plans you will be driven to find the most effective and efficient way to recover operations. What you learn from this process might surprise you, and enable you to take action now to remove outdated and inefficient processes.

10. Business Objectives

Bill Clinton famously said – ‘it’s all about the economy’ to an interviewer talking about non-economic issues to the then Presidential candidate. In an SME, whether in crisis or in day to day operations, it’s all about the Business Objectives. These must be well developed, continually refined and drive all activities. If you are struggling to find the time to do this, don’t worry, a review of Business Objectives will be at the heart of every Business Continuity exercise.