



The economic downturn and business continuity management

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In the current economic downturn the loss of a day's business is felt even more acutely than in normal economic conditions and it is this that has driven business continuity up the management agenda, says Lee Glendon, Campaigns Manager, The Business Continuity Institute

Traditional business continuity plans have mainly focused on dealing with operational disruptions resulting from a loss of site access, non-availability of critical information, the failure of IT and telecom systems and, for any number of reasons, the non-availability of staff.

These hazards certainly have not gone away in the current climate, however newer disruptions have gained prominence. Customer and supply chain failure and the loss of access to lines of credit is now becoming an important area for businesses to focus on.

The UK finance sector boasted an 80% adoption of business continuity plans, primarily due to regulatory requirements, at a time when the rest of UK plc settled in the 30%-40% adoption range. So, if the organisations with business continuity plans in place failed to weather the current economic storm, why should others follow down the same route?

It is hard to predict every possible scenario that could impact a business, for example, who would have thought that the foot and mouth crisis in the UK a few years ago would have an impact on mobile phone networks. In the event, the nature of the problem meant that farmers' fields were in quarantined areas and the exact location for many mobile phone masts, so access and maintenance were restricted.

With risk management, the risk assessors will mainly focus on higher probability events rather than big impact events with low probability, so few organisations will take precautions against an event like the current credit crunch. However, organisations should look to combine both risk management and business continuity management and focus on potential threats that will have a big impact even if the probability is low. A good example of this was the recent action taken by Euroclear, who proactively extended the organisations Business Continuity Management framework into its banking business and were able to manage the collapse of Lehman Brothers and protect their financial position as the systemic banking failure unfolded.

In a serious economic downturn, some specific Business Continuity challenges need to be considered:

- Customers and suppliers will go out of business. It is vital to understand the dependencies of any business on critical suppliers and understand alternative options. In an age of business process outsourcing it is important to remember that the service may be outsourced but responsibility for business continuity still rests with the client organisation. Partnerships will be tested as organisations agonise over whether and how to ask for help from customers and suppliers.

- Costs can and will be cut. Organisations will consider options to reduce staff, the number of locations and capital investment. "Best Practice" may come under pressure during the recession in favour of "getting by". Business Continuity Management is not about spending a percentage of the business budget to assure the continuity of operations - it is about understanding the new vulnerability of the business in taking these cost cutting decisions and making sure the plans and investment are in place to deal with the impact of a major disruption.

- Most organisations have invested significant time and money in developing a sound reputation, so should a crisis develop, dealing with this competently and with confidence is important. For all the problems in the recession, it does provide an opportunity to promote a well run business. Organisations should consider all of the situations where negative stories could emerge and prepare messages in advance to reflect possible damaging situations and will need to communicate with all stakeholders in a controlled manner. Equally important is that the organisation's senior spokespeople should be trained to deal with the intrusive modern media.

Contrasts are often being made between the application of Business Continuity Management thinking in smaller versus larger organisations. Research consistently shows that two-thirds of smaller businesses do not have a plan and this figure is probably much higher among micro-sized firms. Smaller businesses do not have access to the capital reserves and broader portfolios of larger organisations and new businesses do not have the ability to leverage a well established reputation to fight the economic downturn. However, there is no reason why small businesses can not formalise thinking around what is important to preserve within the business when a major disruption hits.

Working out what keeps a business running and who and what it relies upon is the first stage of developing that crucial realistic and workable plan that could help any business survive what could be the UK's biggest economic downturn.

Lee Glendon, Campaigns Manager, The Business Continuity Institute

Note: The Business Continuity Institute has produced a jargon-free "Survival Guide" to help organisations think about business resiliency and provide actionable ideas to support business activities during current difficult economic times. The "Survival Guide" is available to download from www.thebci.org