

ARE YOU UP FOR A CRISIS? **NICKI DENNIS** EXPLAINS HOW TO GET YOUR COMPANY IN GOOD SHAPE TO BOUNCE BACK FROM CATASTROPHE IN AN INCREASINGLY UNCERTAIN WORLD.

Ensuring that your company can respond to any event that might disrupt its normal operations or damage its reputation is all about being prepared. Examples of such events include power failures, IT virus attacks, fires and strikes, to name just a few. Business continuity is the management process through which your preparation can be achieved.

If you can satisfy the needs of your staff, customers and other stakeholders in the event of a major disruption you will undoubtedly increase the likelihood of your organisation's survival. You will also probably enhance your reputation by meeting the unexpected challenges that will arise during the crisis.

If your company was affected by the events of 7/7 last summer, then no doubt you will already have looked carefully at your business continuity practices and plans and whether or not they worked effectively. Even if you weren't affected, it may have crossed your mind, as a senior member of your company's management team, that your continuity plan needed to be brought out, dusted down and reviewed to see if it would have helped. Or perhaps you are working in one of the estimated 60% of companies that have no business continuity planning whatsoever and feeling uncomfortable about the implications.

Astonishingly, after a 12-month period that encompassed a wide range of catastrophic events – the London terror bombings, the Asian tsunami, hurricanes Katrina and Wilma, and a major oil depot explosion north of London – UK businesses are still putting themselves at unnecessary risk.

In a BSI-commissioned study, interviews with 100 senior decision makers at FTSE 250 companies found nearly a third of respondents believed their business wasn't prepared for a failure in the supply chain that could arise from a natural or man-made disaster.

In addition, BSI's Business Barometer, which covers several industry sectors including banking and financial services, found that 25% thought their business was unprepared for catastrophic failure of IT and that 45% believed it was unprepared for forced relocation due to unforeseen circumstances such as a terrorist strike, industrial incidents or natural disasters.

But the Business Barometer also revealed a marked contrast of preparedness for crises between businesses who had widely adopted British standards and those who hadn't. Most businesses (78%) that had adopted standards felt equipped to handle catastrophic IT failure, compared with only 28% that hadn't adopted standards. And 71% of businesses that had adopted standards felt prepared to deal with failure in the supply chain, compared with 43% that hadn't adopted standards.

When disaster

Executive summary

- Business continuity is the management process through which organisations prepare for any disruption to normal operations.
- FTSE 250 companies still aren't prepared for the most likely natural or man-made disasters.
- Business continuity planning has a direct impact on share price recovery following an incident.

So how good is your company's business continuity m

So now that you think business continuity management is a necessity, how do you show that your company is doing it? The best way is to benchmark against a standard.

A standard is an agreed way of doing things. It can be at any level and between any parties. It can be a specification, a code of practice, a set of guidelines, a process or even a definition. Standards help streamline business processes, increase efficiency and improve productivity.

In the UK, the national standards body is the British Standards Institution (BSI). It is independent of government and as a non-profit-distributing organisation reinvests any profits into the products and services it provides.

The standards produced through the BSI formal standards process have special attributes. They adhere to stringent rules to ensure transparency, integrity and fairness. In particular, this means that for any document to attain the level of a BSI standard it has to win the full consensus of all interested parties. This consensus includes government, business, trade associations, academia and consumers. The intention is to make standards aspirational – best practice rather than general practice. All formal standards are updated on a regular cycle, which ensures they remain current and relevant.

Standards therefore can be regarded as a good way of finding out what is considered best practice in an area and benchmarking your business against that.



strikes

Yet the research also showed that, despite knowing that standards could help, many businesses had failed to act. An overwhelming majority (87%) of senior business decision-makers agreed that, with the increased reliance on outsourcing, standards were more important than ever because they gave businesses confidence in the way their subcontractors worked.

WHY DO BUSINESS CONTINUITY? Business continuity management is the term given to the whole process of looking after a company's resilience to unexpected incidents. By resilience is meant the planning of how to respond to the event and recover afterwards. It also includes the rehearsing and testing that is vital to ensure that everyone takes on board the continuity culture. Just having a plan that exists on a shelf somewhere is not enough.

Importantly, there are some tangible reasons for doing business continuity management that affect the bottom line. The number one reason is for your shareholders. *Figure 1* shows the share-price movement over 250 days for firms that experienced a major incident. They split rather neatly into two types – those whose share prices recovered and those whose didn't. The researchers found that the one common factor for the recoverers was the presence of a fully integrated crisis communication policy.

Another reason for doing business continuity management is that hard conversation you have with your insurance broker every year at renewal time. Showing them that you are taking business continuity seriously can lead to premiums stabilising. The very exercise of embarking on a business continuity management programme may give you enough well-founded confidence to buy less business interruption insurance, another common area of saving.

There are many other benefits of a business continuity plan. It gives you confidence in the ability of the business to survive an unexpected catastrophe. It demonstrates a duty of care to your

y management?

In 2003 the BSI published Publicly Available Specification (PAS) 56 *Guide to Business Continuity Management*. This is what is known as an informal standard and was developed with a small group of experts, allowing it to be produced quickly. PAS 56 was the first such document available outside of the business continuity community and was written by members of the Business Continuity Institute and a group of experts covering a variety of sectors.

This document has generated substantial interest and was the first step on the road to the creation of a full best practice standard. It has given users a chance to provide feedback to the BSI before a full standard is produced. PAS 56 offered the first view of what any future full national, European or ISO standard might look like and thus helped users to move towards a consistency of approach across sectors. It was also written with assessment questions so that it could to some extent be used as a self-audit tool.

Due to the interest in this area and the importance of the subject matter, the BSI established a new technical committee for business continuity management in August 2005. The nominated Chair is Chris Green, Business Continuity Manager for HBOS. This committee is responsible for developing a national standard which incorporates the feedback received so far and considers the needs of organisations of all sizes. The current schedule for producing the standard timetables the draft for public comment to be available in March 2006.

Once the UK has a full national standard, supporting documents for specific sectors will be produced and made available to help users get the most from it. Also, future guidance on parts of business continuity, such as testing and rehearsals, IT disaster recovery, and crisis communication, will be developed by the committee to add more detail for those companies that require it.

While there's nothing like a headline-grabbing event to put disaster recovery in the spotlight, the holistic approach required of business continuity management, which is more concerned with the implementation of lifetime processes, doesn't always capture the imagination. Nonetheless, it is an increasingly important consideration that could prove both foolish and costly to ignore.

Are you ready?

Risk management should not be put off for the future. For more information on the BSI's work in risk management, visit www.bsi-global.com/Risk, where you can download a copy of *The Risk Management Universe: A Guided Tour*, a leaflet that brings together experts from various risk management fields to describe current best practice and point to future developments.

If you would like to receive a copy of the draft standard to comment on, or be kept informed of developments, please e-mail BSI via nicki.dennis@bsi-global.com

Figure 1. Share price movement after incident



employees. It also enables you to meet your customers' expectations in a wide range of circumstances and shows due diligence to your company's other key stakeholders. Perhaps most importantly of all, it safeguards your company's reputation.

Opportunity management is a further strength and the competitive advantage your company could gain with a swift and effective response in a difficult situation is important. You may be up and winning orders ahead of those unprepared and still affected. Going through the business continuity management process may also give you early warning of any weaknesses or vulnerabilities in your business, and let you take corrective action.

There are some other less obvious reasons for business continuity management. For instance, your company may be affected by the Civil Contingencies Act – almost certainly the case if it is a supplier of goods and services to local authorities – which lays down duties for the continuity of supply of goods and services. Similarly if you find your company in the supply chain of a major listed company, they are looking more and more for assurance around continuity of supply. Ask yourself: could your company really take the reputational hit of falling down in any one of these areas?

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The depot blew up and the office was gone

ON 10 DECEMBER 2005 A MASSIVE EXPLOSION AT AN OIL DEPOT IN HEMEL HEMPSTEAD, NEAR LONDON, CAUSED HUGE DISRUPTION. MATTHEW HURN, GROUP TREASURER AT DSG INTERNATIONAL, TELLS JULIA BERRIS HOW HE AND HIS COLLEAGUES GOT THEIR CENTRALISED TREASURY UP AND RUNNING AGAIN.

After moving away from working in London to be closer to my home in Hertfordshire, I assumed I had moved away from the danger of explosions that the threat of terrorism brings. I certainly never imagined that an explosion at the fuel depot close to the office where I was now working would cause our retail support group offices to be out of bounds during its busiest time of the year.

I first realised what was happening when I heard several thuds from my home 20 miles away from the oil depot in Buncefield, which exploded in the early hours of Sunday morning. At first, I

thought that my daughter had fallen down the stairs after deciding to get up for some early-morning TV.

After finding her safely in her room, I switched on the morning news and saw that there had been an explosion in Hemel Hempstead, where DSG international is based.

Initially, I didn't think that it would be a big disaster. It was a Sunday and I thought everything would be fine for the following working day. But, when the fire brigade announced that it might take them days to put the fire out, I realised that we weren't even going to be able to get close enough to the office to assess the damage let

alone go to work on Monday morning. When reports later claimed that it was the largest explosion in Europe since World War Two, I knew it was going to cause serious disruption.

DEALING WITH THE DISASTER The first good news was that no one was injured following the blast. Happening so early on a Sunday morning, it meant that our offices and those of around us were empty. The next stage was to arrange an emergency meeting and conference call with senior management. Like most large businesses, we had had contingency plans in place for a long time.

The first priority was to act quickly to determine what our strategy would be. The explosion potentially had huge implications for us as a retail company, especially coming as it did two weeks before Christmas. We had to make important decisions that would mean we would be able to continue to serve our customers and support our store colleagues during an important trading period.

During the morning, I had received text messages from my team asking about the severity of the explosion and where they would be moved to if necessary. By lunchtime a plan had been agreed and the business had worked out how to carry on functioning and which of the 2,000 support group staff were needed initially, locating them mainly in our other sites at Stevenage and Borehamwood. I was really amazed at the number of calls I received during the day with offers of office space from our banks and suppliers, some of which we gratefully took up.

Within 24 hours we had set up an incident team, contacted all of our employees and planned where to relocate them, where they were going to sit and which systems they were going to be able to access. This in itself was a huge achievement, creating workspaces with PCs and telephones for so many people. Each management team having its own plan that fitted into the company-wide disaster recovery plan speeded up this process.

BACK TO WORK On Monday, two of the team from the treasury department were sent to the group's insurance company in the Isle of Man where the IT/2 treasury system could be accessed remotely via a Citrix connection while the rest of the team worked with me on the medium-term planning.

It was four days before anyone from DSG could get back into our office to assess the damage, although from the outside it was clear that windows had been smashed. Further investigation revealed serious flood damage to the south wing of the building and that it would be some time before we could get back into that part.

Our priority was to make sure we were operating essentially as normal. We run a centralised treasury function for the whole group, which operates in 14 different countries and manages cash balances in eight different currencies. We also had to make sure our suppliers were paid, direct debits from customers were collected, and employees' salaries were paid.

Initially, we relied heavily on the flexibility, goodwill and co-operation of our banks, which proceeded on the basis of temporary mandates and manual processes. I think this was a testament to the good working relationships we have with them.

Having no access to files and paperwork made some tasks very difficult but we worked through it and helped each other throughout this difficult time. It is surprising just how little you need to operate effectively when you need to.

The treasury disaster plan was based on an event that would restrict access to the building for a few days. Having worked through a major incident, we have learned many lessons that we intend to incorporate into the plan.

WHAT AMAZED ME MOST THROUGHOUT ALL OF THIS WAS HOW THE ADRENALINE KICKS IN AND EVERYONE PULLS TOGETHER WITH A SHARED GOAL, NOT JUST FOR THEMSELVES BUT FOR THE WHOLE COMPANY.

Technology obviously plays a big part in any plan, not only for the treasury systems that many corporates use but also the integrated banking platforms and data pricing tools such as Reuters that we rely on heavily.

A further key lesson was the importance of keeping clear lines of communication open. It is important that everyone is aware on what is happening and what is required. We moved back into a part of the building on 9 January, several weeks after the incident. It is quite cramped but it won't be too much longer before the building work is complete and we can return to our normal offices.

What amazed me most throughout all of this was how the adrenaline kicks in and everyone pulls together with a shared goal, not just for themselves but for the whole company. Everyone was hard working, committed and willing to do so much more, going beyond the normal call of duty.

On 18 January, the group announced its interim results to the City together with its peak-season trading update. The business had achieved an encouraging performance and demonstrated how well all the stores had traded despite the disruption. It sounds strange but it was the best team-building exercise I have ever done and I hope the benefits of it last for a long time.

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