

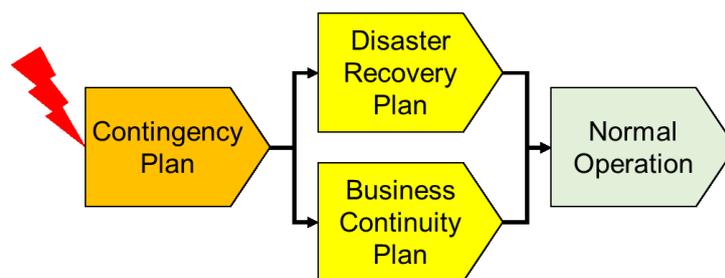
A lot of risk management is preparation – but from time to time – it suddenly becomes reality and very much here and now. The disaster has struck.

An example of this the fire brigade. I once asked the London fire services “how much of his time, is a fireman actually involved in fire extinction including transport back and forth, and what other direct tasks they solve. I was linked to a public presentation which showed, that they do monitor activities by firefighter, but by fire truck/engine – as firefighters occasionally are on holidays, training and home sick, which is not the case for fire engines. The result (I believe for 2013, but probably still ballpark valid) was 11% of the time ... for the one fire engine in Greater London which was the busiest. The average was 3%, and one fire engine in five was not (during that year) involved in fire extinction.

Yet – disasters do strike, and then comes the ultimate test of the risk management system. Does it work, is it adequate etc. Being prudent, we have all the plans made, and tested and with trial runs from time to time. Yet – real life is real.

Analyses indicate, that a significant share of companies experiencing a disaster, never really recover, and many face termination, as they fail to get back on track. So – there is great value and sustainability in being able to effectively recover from a disaster ... even an unlikely one.

When disaster, whatever it may be, hits, there are three aligned plans, which are set in motion.



These three plans differ in scope, participation, target and timeframe. Hence, these plans will have different owners and drivers.

Contingency planning

Contingency planning is dealing with the disaster as it unfolds as well as actions taken in the immediate timeframe after this. This is generally/often handled by a security team with the following scope and characteristics:

- Who calls the fire department and like authorities
 - Who gets injured people out of danger
 - Who delivers first-aid
 - Who talks to the relatives of injured or deceased workers
 - Who talks to the press/public
 - Who ensures the disaster is contained ... and how
- etc.

Contingency planning is also characterised by an extreme element of urgency, and hence decisions have to be made instantly, and must be based on experience and well prepared and rehearsed processes. Elements of creative thinking and experimentation should be limited to a minimum ... but are often unavoidable in the actual disaster.

During this, corporate management is not the decision makers, the Fire Marshall or like people are completely in charge of what is do be done now, and what to postpone.

Disaster Recovery Planning

With the disaster controlled, the “disaster recovery plan” is initiated. Here time is less of the essence, but still an important factor. The disaster recovery plan is often handled by a task force, headed by the head of facilities or like person. The purpose of disaster recovery is to get the company back on track as fast as possible. Characteristic issues are:

- Who cleans up the site
- Who contacts and liaises with the insurance company
- Who tears down, what needs to be torn down
- Who rebuilds
- Who prioritizes what is rebuilt before anything else
- Who defines what equipment is being ordered from who, and available from when
- How long time does it take to get up to speed

Plus, a lot of like issues.

This task force either includes or liaises with executive management as well as the insurance team to decide on investments to be made and costs to cover.

These plans are rarely “real life drilled”, which may be a missed opportunity for effective handling of a disaster – but need not be highly prioritized. The important issue is, that the optimal team must be assembled, and relieved from other duties to focus on addressing the disaster recovery effectively – remembering, that a lot of the company’s business is down anyway.

It should be noted, that as rebuilding may be a lengthy process, this step may continue for months if not years. It should also be taken/seen as an opportunity. Are there inefficiencies, the company can eliminate, are there equipment which can be updated, are there new business processes which can be applied now that the precondition for operating “business as usual” have been taken out.

So – disaster recovery may, and should, go well beyond getting back to where the company was.

Business Continuity Planning

Fully in parallel with the Disaster recovery planning, there is a third planning process, which is invoked. That of Business Continuity. In most cases, not ALL of the company is “down and out” due to the disaster ... and the key questions for Business Continuity Planning is “how do we operate the rest of the company, whilst the disaster is being recovered”.

This again, is handled by a defined task force, often lead by the head of sales & operation planning or risk management – but as it involves a range of major business decisions, direct link to/liaise with or participation from executive management is needed. The scope is to re-establish sales and operations planning, manufacturing, delivery, product and customer priorities, etc.

Characteristic issues addressed are:

- What do we have left of the company

- How do we operate that
- How do we deal/collaborate with key vendors
- Who decides on product/market priorities
- Who decides on customer priorities
- How do we deploy alternative sourcing

As for the disaster recovery plan, and even more so, this is not just a plan of minimising business losses, but also a moment of opportunity. Are there product lines, which we may as well drop, are there business conditions and processes we can change/optimize to fit the future better than the past, etc.

As an example. When the LEGO Group wooden toy factory burnt to the ground around 1960, it was decided NOT to rebuild manufacturing of wooden toys, and instead focus on the plastics and the bricks. Given that wooden toys had been the backbone of the company during its (then) 28 years of history, and it still was a considerable share of revenue – that was a truly bold decision. History proved it to be a good/right decision for the LEGO Group.

Business continuity plans are often tested, and time is important as there is great benefits in getting (the rest of) the business back on normal operating routines as fast as possible. Despite this, business continuity planning may be an ongoing process for months or years after the disaster.

Closing

Eventually, the company gets back on some track, which may even be more prosperous than the track they were on, prior to the disaster ... the notion of “whatever does not kill you, makes you stronger”.

In the above the disaster is implicitly a fire. Be aware, that a disaster can be invoked by any key risk materialising:

- Flood or other natural disaster
- Cyber-attack or another IT disaster
- Reputation/social media disaster based on e.g. unethical behaviour
- New competition e.g. based on a different business model
- Product irrelevance, possibly based on new technology

One shared element across all plans which I have often heard about is “organisational update” of the plans. When the plan involves named people (and most of them do), it is paramount that these lists of people are kept updated as organisations and staffing changes continuously. When the disaster has hit, there is no time to figure out “OK, it’s not him anymore, I wonder who is it now”.

There are plenty of sources for very severe risks hitting an organisation ... and different approaches are needed to both contingency, disaster recovery and business continuity planning. It is all about being prepared.

The possibilities are endless, and hence no company can afford to be 100% prepared for everything, and it is the task of prudent risk management to recommend a balanced trade-off between preparation resources and risk severity. This again must be aligned with the company’s capacity for and attitude towards risk taking.

Balancing is intelligent risk taking, and a source of competitive strength.