

# Contingency planning



**Executive Summary**

There are six academic journal articles and additional articles have been used to support the topic to provide stronger points. The topic of the essay is Contingency Planning is Important for Organisations to minimize the impact of disaster. But do organisations take it seriously? Some research has found that majority of the organisations does not implement contingency planning as part of their organisation structure. This essay will provide several organisation's results to prove the important of contingency planning and how organisation make used of contingency planning.

This essay has also discussed the different usages of contingency planning and how it helps organisations to minimize the impact of disasters issues, such as blackout and server down are common disaster happens to the banks community, therefore they are very concerning or depending on contingency planning to run their day-to-day business. Several disasters also discussed in this essay, such as the World Trade Center 9/11 case and infectious animal diseases. At the end of this essay, the reader should able to understand the important of contingency planning and hopefully the organisations will create contingency planning as part of their organisation structure.

**Topic : Contingency planning is important for organisations to minimize the impact of disaster, but the issue is do organisations take it seriously?**

This essay discussed about contingency planning is important for organisations. Based on research, certain organisations did not take it seriously. Six academic journal articles and additional article is been used to prove that contingency planning is important for organisations in the real

world and also to support for forming stronger points. Several contingency planning issues within organisations has described and shows the important of contingency planning. There are results showing how the banks manage their contingency planning and how they make use of contingency planning as an important task. The other articles discussed contingency planning is not only important for organisation to save data and keep business running but also for human being. According to research, if contingency planning is proper managed, organisations are minimizing the risk and have a higher chance to recover from disaster.

Contingency planning is for future use which prepares an organisation for an emergency or out of ordinary situation so that business activities can use the plan and solve the troubles and back to normal as soon as possible. Ernest (1999) comment that contingency planning sounds really important and is a must for organisations, but result has shown that not every organisation perform well in planning a contingency planning. A survey (Ernest, 1999) has been done with 27 organisations that currently practices with respect to IT contingency planning and security, it examines the role of management in planning and setting priorities for contingency planning, in other words, it is especially those organisations that have specified IT is important to them. The findings reveal most organisations are inadequately prepared and fail to manage the issue seriously when things go wrong. Number of questions has been asked, and the result shows that only 5 of 27 organisations had comprehensive plans for both IT and business operations (Ernest, 1999). This is a low level of compliance and must represent an unacceptable level of

risks. The management question arise immediately, is this just bad management or do these organisations have not experience trouble.

Most of the organisations have a bad management for contingency planning. The result (Ernest, 1999) shows that 24 organisations for not having a business contingency plan and others have no answer from them. In my opinion, responsibility for such matters is generally at too low level in the organisation and this does not appear to be likely to change in the future, these organisations will easily collapse if terrible things affected them. For example Angus and Robertson have failed due to not having contingency plan or they do not border about creating a contingency plan for moving from brick and mortar business to E-commerce business (Eli, 2010). Based on Ruth's (1984) journal articles, some organisations make use of contingency planning as a serious plan and they also make use of contingency planning very carefully, one example is banks.

Banking community has increased its dependence on computers, because computers can work faster compare to human being. This increases the management issues and led to more types of incidence of disasters (Ruth, 1984). Banks are sensitive to many type of disaster such as fire, blackout and terrorists attacks. Billions of dollars and user properties will get affected or destroyed if contingency planning is not managed. Therefore, Federal Banking Agencies(FBA) recommend that banks should manage a back-up computer center as one of their main contingency plan (Ruth, 1984).

FBA also have developed a Electronic Data Processing(EDP) Examination Handbook to guide through the banks for managing the contingency

planning (Ruth, 1984). For example one sections of the handbook suggested all banks to have contingency planning for their hardware, documentation, procedures and contingency planning for recovery operations. If a bank has more than one CPU in different locations, the bank may be able to provide its own back-up in the case of power failure, or building emergencies like 9/11 (Ruth, 1984). The next important phase in Ruth's (1984) journal article is to have two copies of the current version and update it whenever changes are made. This shows the way of how FBA manage the contingency planning and the important of contingency planning for banks community, and also under control by government to ensure they have certain contingency planning to face unexpected disaster. In my opinion, contingency planning is a necessary for all big and small organisations, but based on Sharon's (2004) research, most of the companies feel that disaster cannot happen to them, and they also find that contingency planning is expensive and need lots of time to build and manage one, therefore they rather to take risk and avoid developing a contingency planning.

In America, Office of the Comptroller of the Currency(OCC) examiners have hit hard on contingency planning since they realize that without a contingency planning a bank has a great weakness (Ruth, 1984). The OCC's (2011) mission is to charter, regulate, and supervise all national banks. OOC's (2011) goal in supervising banks to ensure that banks are operating in a safe and in compliance with laws requiring fair treatment of their customer and fair access to credit and financial products. They also managed their contingency plan from a method like banks should create a partnership with another financial institution to use their computer in case of disaster, but this

method is not useful anymore due to high demand of computerize usage for banks these days, therefore they have turned into full contingency plan and thus look at different scenario and how the contingency plan will serve them (Ruth, 1984). Comptroller of the Currency examiners are trying to manage the banks to create a contingency planning by recognize the risks, evaluate them, and detail well how the bank plans to deal with disaster (Ruth, 1984). Agencies are highly encouraging the organisations to have full contingency planning. As result, one of the good example is a large Minneapolis bank had a fire few years ago but it was up and running back after a week time since it has a good contingency plan that trained by Comptroller of the Currency examiner (Sharon, 2004).

Based on Sharon's article, one good contingency plan option can be used by banks is mutual agreement. For example 10 banks in Washington DC, including Riggs National Bank, National bank of Washington, and American Security Bank formed Bancon. Inc and agreed to share check processing facilities in case a prolonged power blackout or machine failure caused the computer to break down at a member bank. One member, before the Bancon, had its check cashing computer out of action for 24 hours, which cost the bank lost \$30, 000 in interest (Dickson, 1994).

Another paper (John, 2006) discussed that banks needs to ensure that the public can access their funds after a failure. It is because customer entrusts it funds with banks and they expect to have access to their funds even after a bank fails. Banks also have to maintain confidence in the financial system to promote financial stability (John, 2006). This is why contingency planning is needed to always maintain the availability of customer service. If a bank

experience blackout in sudden or attacked by viruses, contingency planning is the most effective plan for recovery if the organisation have one early.

Contingency planning is essential for a deposit insurer especially one that expects to have to deal with the consequences of a bank failures (John, 2006). Effective deposit insurer must develop contingency plans to deal with the risks they face and to mitigate these risks – there is no substitution for advance preparation (John, 2006). Some questions (John, 2006) need to be answered before the problem occurs, such as what could cause a bank to fail? What options might be available to respond to such possibilities? Thus, a deposit insurer needs to understand the risks it faces and be ready to handle any significant risks that threaten its performance. Without appropriate contingency planning, a deposit protection agency cannot ascertain if it is capable of dealing with the risks. To have effective deposit insurer, the organisation must develop contingency plans to allow customer to access their funds after a failure and conduct regular simulations to keep employee skills sharp (John, 2006). In my opinion, contingency planning is essential for any deposit insurer because failures are costly and they are often unexpected when it is going to happen. In other hand, contingency planning can lead to more prompt and comprehensive action to resolve bank crises and can lower the costs of doing so. It may also help reduce the likelihood that a crisis will occur or reduce the amount of damage it may cause.

Contingency planning are not only helps organisations to save data and keep profits running, but also human being (Victoria, 2009). One example is the World Trade Center(WTC) disaster 9/11 in United States. More than 18, 000 people are saved in one hour 42 minutes (Victoria, 2009). USA Today's

(2001) investigative reporter has made a research why so many people were able to survive in this case. Based on research, it is because both good design of contingency planning and emergency planning made an enormous difference on 11 September compare to Port Authority in response to bombings in 1993. In my opinion, the best contingency plan is one that is comprehensive and understandable by everyone in the company at all levels, and can be easily understood by all people; even those who have been with company just a short time (Victoria, 2009). Planning is also a way to reduce vulnerability, loss of life, injuries and damage.

Also after the incident, many organisations do not have contingency planning at the same time. Based on the article (Howard, 2002), many CEO's of organisations turned around to their security directors and ask do they have a contingency plan. The CEO of International Corporate Protection in London, he was surprised that plenty of phone calls his company received after 9/11 from risk managers and clients with no contingency plans in place (Howard, 2002). Based on his information (Howard, 2002), some organisations have ad hoc arrangements for contingency planning, and other companies set up contingency plans years ago have never updated it. In my opinion, if a company have contingency plan and they know what measure to take, because managers have thought it through, managers can actually manage the risk and minimize the issues rather than just saying “ what do we do now” or similar (Howard, 2002). Everybody understands that sometimes contingency planning might expensive or need longer time to figure out, but if something terrible happens, if company did not prepare any contingency planning, it could potentially amount to hundreds of thousands



in damage to your company, these are the consequences that managers have to think about before deciding not to have a contingency plan. One more thing we should take into concern is terrorism is a threat that is going to continue in different forms, it may not necessarily target on you and your organisation, but you could be affected collaterally, just like 9/11 (Howard, 2002).

The last journal article has a different point of view of contingency planning. This article explains that contingency planning is also important for a country to develop to avoid infectious animal diseases issues (Westergaard, 2007). This paper discusses about the outbreaks of infectious animal diseases, such as foot-and-mouth disease, swine fever and avian influenza may have a devastating impact, not only on the livestock sector and the rural community in the directly affected areas, but also beyond agricultural and nationwide (Westergaard, 2007). The risk of the disease pathogens entering a country and the spread of the agent within a country are dependent on the number of factors including import controls, animal products and the biosecurity applied by livestock producers (Westergaard, 2007). A contingency plan is an important instrument in the preparation for and the handling of an epidemic (Westergaard, 2007). For example the legislation of the European Union requires all Member States to draw up a contingency plan for infectious animal diseases with the aim of ensuring the country is prepared in a comprehensive way to face an emergency (Westergaard, 2007).

In conclusion, contingency planning has been shown that it can be used in many different ways. Although some companies may avoid having a

contingency planning, results has been shown that contingency planning is an important practice not only for organisations to protect their data to keep business running but also for security issue such as 9/11 and the infectious animal diseases. The results also shows that most organisations that make used of contingency planning are able to recover from disaster. By understanding the important of contingency planning, every organisation should create contingency planning as part of their organisation's structure.