

Business continuity management in times of recession business essay



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Business Continuity Management (BCM) is a method designed to ensure that the functions of an organisation can be managed or restored promptly in the event of internal or external occurrence. One of the most important objectives of the BCM is to reduce the legal, financial and reputational damage of these events which results, increase in profitability of a business.

“ A holistic management process that identifies potential impacts that threaten an organisation and provides a framework for building resilience with the capability for an effective response that safeguards the interests of its stakeholders, reputation, brand and value creating activities”. (The BCI Good Practice Guidelines, 2008)

The entire businesses around the world are exposed to risk or disruptions whether it is from fire, equipment failure, natural disaster, communication failure, economy downturn or an act of terrorism. (Billsberry, 2004). There can be hardly superior hazard to any organisation than recession. The organisations experienced more disruptions than ever in the past years. (Woodman and Hutchings, 2010). These disruptions can ruin the organisations or make it difficult to survive. This is where Business Continuity Management plays integral role to smoothly run the business without any interruption. BCM is very important for the endurance of the business.

In theory BCM replicate crisis management to a great extent which has grown rapidly over the past decades, main aim of eliminating focus of social and technological problems. Crisis management approach and Information systems (IS) defence is the foundation of business continuity management (Elliot et al, 2002). Various research (Pitt & Goyal, 2004; Swartz, Elliott, &

Herbane, 2003) have been performed which classified different stages of growth in development of business continuity management. The evolution of BCM started since 1970s, identifying the main 3 stages of growth. The first stage, "technology mindset" during 1970s was limited to the protection of corporate mainframe computers. After the advent of personal computers to end users in 1980s leading to vast quantity of computer users in organisations, resulted raise in the number of transactions, compliance became regulation and legal requirement. This second stage was identified as "auditing mindset" (Swartz et al., 2003). The final stage "value mindset" in 1990s became more focused on the requirements of business where business continuity management can act as to add value to the organisations. At this time of moment BCM approach became more efficient by including improved protection for whole organisation, customers & suppliers, social and technical process. The technology and auditing mindset was limited to the protection of IT. (Herbane., 2010)

Due to increased use of technology over the past decade organisations are more dependent on it, which brings about new risk for business. Some of the business completely rely on IT and operates day and night. A very small interruption can cause considerable loss of revenue and customer which results in damage of business reputation. 25% Companies who faced IT crisis from 2 to 6 days went bankrupt immediately whereas 93% of the companies filed for bankruptcy in a year that lost their core data for 10days (Opstal, 2007). The report (CMI, 2010) shows IT disruptions experienced 35% in the last year. In this escalating global business world and integration of various economies generates fresh challenges have encouraged the development of

business continuity management. Recent recession has more influence over outsourcing to save the production and labour cost. Supply chain risk is greater than ever as new risks are coming from international economies. Companies like GAP and Nike found that these can have poor impact on the reputation of the company. A little loss or delay from single supplier can have bad affect on the organisation. BCM plays important role to manage supply chain disruptions, it also adds towards the development of BCM (Hiles, 2010). Extreme weather and climate change are seen to be affecting the growing organisations operations. A large number of companies affected by snowfall (93%) in December 2009 and January 2010 were main cause of huge disruption. Major events in the past for instance September 11, 2001, World Trade Centre a terrorist attack, July London buses and underground another terrorist attack, the 2000 energy crisis, pandemic flu more recently swine flu and natural disasters like Tasunami, latest in Japan, all these events have major influence on the development of BCM and created more importance for the organisations to have business continuity plan in place to avoid all the problems and disruptions caused by the upcoming unknown events. IT, globalization, supply chain, climate and weather, terrorism, pandemic are growing disruptions organisations facing day by day. These risks are linked together; crisis in one part may possibly spread in various directions. Companies who have developed capability to manage rising risks and understand different types of risks are successful in 21st Century. (Opstal, 2007). BCM is extremely essential for the maintenance of the products and services while protecting the reputation of the business. BCM seeks the survival and profitability of the organisation when disruption

occurs. Improves the resilience capacity of the business against disruption; also recover from unexpected events.

No doubt BCM has started in terms of compliance while protecting Information System (IS), now has developed to avoid various short and long term disruptions and adds value to the organisations. There are many drivers forcing reasons why an organisation should have BCM in place.

Organisational reputation is the strategic asset of the company. Managing risk related to it for example negative news, bad feedback from customers, making financial losses, late payments, increasing stakeholder demands; has become the major driver for BCM. Furthermore it has developed into main concern for most of the organisations. Non timely wrong decision, lack of communication after the crisis occurs can lead to financial and reputation damage of any organisation. BCM is not limited to fight against disruption, it also make positive effective communication and how to handle the crisis situation in order to minimize the damage caused by crisis. (Woodcock, 2006) Financial and reputational damage is directly associated with customers, while coping with recession, it is very essential to retain the existing customers and attract new customers besides meeting the needs of customers in a positive environment. Truly understanding the customer needs and mindset is a paramount. (Cooke, 2009)

Insurance provide organisation the comfort by transferring the risk, being able to repair or replace the items in the event of loss or damage caused by the insured peril. Business Interruption (BI) Insurance covers loss in the profit for a limited period of time after the incident. It provides some cover for the financial loss but doesn't cover loss of reputation, loss of customers, loss of <https://assignbuster.com/business-continuity-management-in-times-of-recession-business-essay/>

business, and loss of employee loyalty. Moreover BI cover is limited to excess where losses incurred during those excess period of time is not covered whereas BCM would prevent the losses incurred or minimize the impact incident occurred.(BCI, 2010)

Competitive advantage is another factor drives BCM. In order to win the confidence of customers and suppliers the organisations should able to prove that they have appropriate BCM in place either by BS25999 (British Standard of BCM) certification or by ensuring tested business continuity plan. It improves the customer trust and brand reputation by creating competitive advantage. The organisations that have BCM in place the leading responsibility remains with the senior management and board. Although the organisations that have a specific BCM departments tend to be rising. (Woodman, 2008)

There is not any legislation or statutory requirement in the UK specifically relating to the private sector. However Civil Contingencies Act (CCA) part of legislation concentrate on the public sector to spread awareness the need for having continuity plan in the event of major or minor incident. Organisation providing services to public have a legal requirement to maintaining an appropriate BCP in order to make sure that the services they offer should not be disrupted by major or minor disruptions. National Infrastructure, The Centre for the Protection of National Infrastructure (CPNI) provides valuable information in terms of physical security advice to the organisations in order to minimise the terrorism and other related threats. (Civil Contingencies Act 2004 (Contingency Planning) Regulations 2005)

Regulations impose more controls in addition to the legislation include the statutory powers to make certain compliance. There are currently no regulations that enforce business continuity practice. However Financial Services Authority (FSA) provides guidance on BCM and risk management to its regulated firms. British Standards Institution also provides information on implementing and managing business continuity practice. Furthermore it gives training and certification of BS25999 British Standard for BCM to all types and size of organisations. In the times of economy downturn BS25999 benefits organisations in different ways by improve resilience, managing supply chain risk, demonstrate valuable response during disruption, protects and improve the reputation and brand value, identifying chances of improvements, exercising compliance and cost saving.

The biggest driver for BCM is corporate governance as 42% of the managers reported a key for implementing and improving business continuity plans. Customer demands drives business continuity management is next major driver with 33%. While 23% of the organisations declare that BCM provides competitive advantage for them. (CMI, 2011).

Uncertainty lies in the future; with the rise in various natural disasters like Tsunami, terrorist attacks, etc ' Business continuity management' has become inevitable. BCM helps business go through these difficult times making sure of its survival in the market. BCM however, like all other good things also has its dark sides which without appropriate considerations can lead to a complete failure.

Some of the issues that may be faced by business continuity management include financial issues where majority of the company doesn't have the sufficient resources to have a business continuity management in place. It also requires human resources to make sure of its success which might also be not available to the organization but as the environment in which organizations conduct their operation is highly dynamic to ensure that necessary actions should be taken to make sure that organization has the resources for BCM to make sure of its survival in times of incidents.

Moreover, as BCM is highly demanding with certain needs in terms of resources most of the senior managers tend to retrieve from it but its importance has been seen in the last few years where companies were swallowed by the giant recession that the world faced and is still recovering from. Hence measures should be taken and its importance should be alarmed among the management of organizations. Apart from resources and management, BCM is also threatened by the fact there might be over-analysis of business. Analysis should be performed in the part of business that is important or is directly related to BCM rather than analysing the non-relevant part of the business. This can be assured by making allowing the head of the BCM project to decide the part of the business that has to be analysed. (Pilosì, 2011)

Another factor that might lead to failure of BCM is too much attention to risk which can lead to hindrance in the way of project and the managers will to paralyse the project in order to save themselves from risk. Analysis of risk is however important to make sure of the success but when over-done it tends to cause hindrance rather than motivating the success of the project.

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Therefore, accurate amount of risk analysis should be performed by the organization. Business continuity management is usually made too much complex and time-consuming which is another factor that causes hindrance where as a good BCM practice will be easy, flexible and less time consuming. One of the biggest hindrances along with resources in BCM is the belief where most of the organization believes that they don't require one or they might be never hit by a disaster. However, BCM is not only meant for disaster it might come in any face i. e. terrorist attacks, power or system failure, etc. Therefore, it is important for every organization irrespective of their size to have a BCM so that there is always a business continuity plan in times of crisis. (Hotchkiss, 2010). The investment in business continuity is worthy because of the value it adds to the organisation in particular competitive advantage.

On the other hand world economic crisis has key impact on business continuity management. If we think we will die tomorrow then we will not do anything same is the case with BCM. If organisations assume that they will shut down the business due to financial and economic slump that avoids the concept of business continuity completely. The concept of having BCM in place has been misunderstood in some cases. The likelihood of BCM to be effective in the times of disruption depends on if a company has business continuity plan whereas companies without business continuity unable to survive. In short BCM act as a helping tool for organisations whether in the times of recession or minor interruption. In recession people lose their jobs and made redundant. Recession has severe impact on UK, emergency possession and failure has seen in the financial sector, Northern rock, HBOS

are living examples. RDA report states 90% of the organisations have been affected by the recent economic conditions by hitting their profit and revenue. Statistics shows approximately 300, 000 people have lost their jobs in the past year. The current unemployment rates vary between 2. 4million to 3 million. Organisation are encouraging outplacement.(Glen, 2009).

The remaining employees work under pressure because the labour force has been cut down to reduce the cost. Customer demand tends to fall.

Organisations not able to pay their bills on time may lead to debts or bankrupt. Supply chain risk increases due to not having sufficient funds.

Saving cost in terms of maintenance may expose to various other risks.(Bell, 2009) “ The credit crunch has given risk professionals the chance to demonstrate the value of their skills. Yet, ironically, a few organisations keen to save money are casting an eye on risk management and related functions such as business continuity”. (Media Planet, 2008). The economy recession has influence the practice of business continuity management to a great extent as never before. One of the good example of BCM is Euroclear Bank, the Lehman Brothers shut down in Sept, 2008 happened just after couple of months Euroclear Bank had run a major exercise to test such an incidence. Business continuity management framework is used as the tool to exercise methodology, to its core financial business contributed to an efficient reaction to the impact of this financial crisis.(BCI, 2009)

Business continuity management is therefore complementary to the process of risk management that analyze the risk exposure and possible

consequences of these risks to the business. It doesn't just focus on the

disruptions but also brings out the key improvements for the product and <https://assignbuster.com/business-continuity-management-in-times-of-recession-business-essay/>

services which is required for the survival of the business. The organisation activated Business continuity plan in last year, 84% managers reported it has successfully reduced interruption. (CMI, 2011). However with the help of business continuity management all the business can fight through recession if implemented appropriately.

In addition it assists in understanding the functions of organisations closely and deeply to enhance the performance and profitability while protecting and enhancing the reputation and brand value. The most challenging phase is implementing BCM in the organisation. Serious difficulties are faced by the managers while dealing with employees, customers and suppliers. Business continuity management practice is new and becoming more common. 58% of the overall organisations reported that they have adopted business continuity management process in their organisations. Communication plays chief role in the BCM implementation process. Possibly it should be involved at all levels of organisation so everyone should be aware of identifying the main threats and try to eliminate them. The continuity plan must be tested and maintained all times to ensure it work when incident occurs. The need of BCM is more than ever mostly in times of recession as it acts as a useful tool for saving cost while improving the financial state of the business.

Organisations exercise BCM to protect their brand, reputation, people and bottom line. BS25999 certification helps to build and improve strong reputation by showing customers and business that organisation is meeting the high standards of BCM where suppliers and customer become more confident and trust in the organisations. In addition it provides foundation for attracting new customers. BCM is the great asset in times of recession. 32%

of the managers confirmed that their organisations are more competitive now after recession where 35% expecting more growth. (CMI, 2011). It must be understood that BCM not only add value by preventing disruptions but also to recover quickly from the incident occurred. Famous saying:

“ An ounce of prevention is worth a pound of Cure” (Ben Franklin)