Will Your Business Survive?
A Road Map to Business Contingency Planning

Hazards are ever-present in the steel plant environment, and a heightened awareness and emphasis on safety is a necessary priority for our industry. This monthly column, coordinated by members of the AIST Safety & Health Technology Committee, focuses on procedures and practices to promote a safe working environment for everyone.

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Confusion, disorganization, hazards and danger often characterize the hours and days following a major disaster or significant business interruption. The impact of such an event can range from a catastrophic loss to the loss of operational efficiency, as the resources once available at a touch of a button are gone or disrupted. The steel industry is not immune to these events — power blackouts, catastrophic fires in critical bottleneck operations, hurricanes and tornados, floods and even labor disputes — at mill facilities or at critical suppliers.

Each year, both large and small catastrophic events take their toll on manufacturers and suppliers. Many of these businesses never recover operational efficiencies, lost customers, suppliers or market share.

No matter the impact of such events, manufacturers and suppliers must be able to recover quickly and efficiently in order to meet day-to-day production or delivery demands. Thorough contingency planning and effective on-site execution immediately following a catastrophic event can help to prevent further loss while helping to maintain the appearance of the company's strength and security that customers, suppliers and the marketplace have come to know.

Business contingency planning takes on many forms and can mean something different to each department within an organization. Yet the fundamental goal of contingency planning is to develop a dynamic process of preparing for, mitigating, responding to and recovering from a catastrophic event.

Below are some basic strategies for developing and implementing an effective business contingency plan. These strategies are broken down into three key phases:

- Preplanning.
- Plan development.
- Plan documentation and testing.

Phase 1: Preplanning

Survival Starts With Company-Wide Commitment — Securing an executive sponsor and gaining commitment for resources is the first critical step. Without this support, these efforts will likely fall short.

Business contingency planning is a major undertaking. To avoid becoming discouraged or overwhelmed, recruit a planning team or task force and divide the work into reasonable tasks, using timelines to track progress. The size of the planning team will depend on the complexity of the operation and the availability of resources, but at a minimum it should include the executive sponsor and at least one individual from each department within the company.

Next, determine if the team has the capabilities to develop the plan internally or if assistance from outside resources is needed. There are a number of excellent government and business resource books, documents and software programs available. Public safety emergency

planning councils, professional organizations and insurance companies also typically have individuals with demonstrated education, experience and knowledge in the aspects of business contingency planning.

Determine Project Scope — The team should identify and agree on the scope of the contingency plan, estimate the required resources, identify the format for the plan and set a completion date. To assist with this process, start by identifying at least two disaster scenarios and list assumptions for each. Defining the magnitude of the incident or disaster will help identify and define the scope of the plan and ensure the plan is flexible to respond to multiple situations.

Identify Critical Business Functions: Business Impact Analysis — In order to identify critical business functions, each department should document all of the functions which it performs over a two-week to one-month time period. This will help to identify the principal functions and resources needed to conduct daily operations. Focus on documenting the functions and identifying minimum requirements for staffing, equipment, supplies, process recordkeeping, facility demands and other possible resources.

For each of the listed functions, determine the business impact resulting from its loss for time periods of three days, five days and 10+ days. Operational, financial, legal, regulatory and marketplace-related impacts should be considered for each.

Prioritize Critical Business Functions — After completing the business impact analysis, the team should prioritize these functions based on the critical nature of each. It is recommended that department heads and executive management be involved in this prioritization process.

Critical functions should be those that are essential to the ongoing operation of the department or company. If these functions could not be completed, there would be significant adverse impact on the products/services provided to the marketplace.

The following is a basic example of classifications that could be used to prioritize functions:

- **Class 1: Critical/Same-Day Restoration** — Functions that must be restored to minimum acceptable operating levels within one day.
- **Class 2: Critical/Three- to Five-Day Restoration** — Functions that must be restored to minimum acceptable operating levels within three to five days.
- **Class 3: Non-Critical/Five- to 10-Day Restoration** — Functions that must be restored to minimum acceptable operating levels within five to 10 days.

- **Class 4: Non-Critical/10+-Day Restoration** — Functions that can be restored to minimum acceptable operating levels after 10 days.

Identify Restoration/Recovery Resources — After the listed functions have been prioritized, identify the resources necessary to restore these functions. Resources should be identified for: (1) temporarily restoring the listed functions in three to 30 days, and (2) fully restoring/recovering the listed functions.

Examples of resources to consider may include:

- **Equipment** — Equipment necessary to restore the function from start to finish.
- **Inventory** — Raw materials and supplies required to restore the function.
- **Facilities** — The type of building necessary, including required space (square footage), HVAC, electrical, plumbing required to restore the function.
- **Technology** — Hardware and software required to restore the function.
- **Communication** — Telephone system, LAN and mail services that are required.
- **Information** — Any piece of information, regardless of storage media, that contributes to the process of restoring the listed function would fall under this category.
- **Human Resources** — Employees, vendors and contracted services are elements of this category.

Select Business Contingency Strategies — The next step should be to identify the contingency strategy for each of the listed functions. The contingency strategy should be a brief description of the alternative operating method to be used until the function can be fully restored. Contingency strategies and their associated costs should be developed based on the information gathered in the steps above. At a minimum, a contingency strategy should be developed for the restoration/recovery of all functions identified as "critical."

When selecting contingency strategies, it is important to first ensure that critical functionality is achieved for the short term and then focus on long-term recovery needs. It is recommended that contingency strategies be developed in two phases:

1. **Restoration:** The emphasis during this phase (one to five days) should be on getting and keeping critical functions running at a minimum acceptable level.
2. **Recovery:** The emphasis during this phase (five-plus days) is fully restoring and recovering all operations.

The following are some examples of possible contingency strategies:

- Internal arrangements.
- Reciprocal arrangements.
- Alternate site arrangements.
- External vendor arrangements.
- No arrangements.

As part of this process, the costs associated with implementing the selected strategy should be compared to the costs of failing to continue or recover the function. The selected contingency strategies and the associated costs for all critical functions should be presented to senior management. The appropriate senior-level management must agree with and approve the selected business contingency strategies and their associated costs.

Phase 2: Plan Development

Once the contingency plan priorities and strategies have been determined and resource requirements agreed upon, the team can start to develop the plan. In this section are some strategies to help with the development of the plan.

Select Multiple Disaster Scenarios — Defining the magnitude of the incident or disaster will help limit the scope of the plan and its response to these events. The contingency plan should be flexible enough to respond to a wide range of incidents. Developing the plan around multiple scenarios, such as those listed below, can help ensure the plan's flexibility:

- **Process or System Failure —** Critical processing equipment has gone down and critical operations must continue for an undetermined amount of time without this equipment.
- **Building Loss —** The building that contains primary operations is significantly damaged and may not be accessible for several days or weeks.
- **Natural Disasters/Supply Chain or Service Disruptions —** As a result of a natural disaster, utility service or access to the facility or supply chain is disrupted for an undetermined amount of time.

Next, identify planning assumptions for each selected scenario. Examples of planning assumptions may include:

- **Timing —** What is the timing of the event? (shift, production cycle)

- **Staffing —** Will there be adequate staff available to perform critical functions?
- **Transportation —** Will ground or air transportation in the area be possible?
- **Facilities —** To what extent is the facility damaged? When will authorities permit access to the facility?
- **Equipment —** Will recovery of equipment be possible or what percentage will be operational?
- **Utilities —** Will service utilities be available?
- **Alternate Site —** Will an alternate site be available?
- **Vendors —** Will third-party vendors or supply chains be able to perform at acceptable levels?

Identify, Define and Assign Roles and Responsibilities — Start by listing the resources needed to recover from the selected scenario. The restoration/recovery resources assembled in the preplanning phase can serve as a good starting point. Continue by adding executive management, damage assessment and salvage roles to the list. By identifying these roles, a contingency management team will start to emerge, which probably mirrors day-to-day operations.

Assign at least two individuals to each identified role, a primary and an alternate. These individuals should be identified as "Team Leaders" and have the necessary skill sets to execute their role. Additional Team Leader responsibilities should include development of role-specific contingency strategies and to assemble a team of individuals to implement these strategies.

Next, define each identified role by listing the responsibilities or recovery strategies that will be assigned to each. Keep in mind that some roles may require crossover participation from Team Leaders in other roles.

For example, the "Damage Assessment Team" might be assigned the responsibility of examining and ascertaining the extent of damage or injuries resulting from the event and its impact on continuing operations. This role might also be responsible for recommending contingency strategies based on their assessment and assist with the formulation of restoration strategies. Because of the critical nature of this role, team members may include Team Leaders from other critical roles such as executive management, production, facilities, human resources, safety and communications.

Develop Business Contingency Guidelines for Each Role — Each Team Leader should develop role-specific restoration and recovery guidelines, outlining what needs to be done, when it needs to be done and who will ensure it gets done. Start by writing down

everything the team needs to complete to restore and recover its assigned functions or roles. Reference the Business Impact Analysis to ensure specific tasks or functions are prioritized as needed. These guidelines should be in a simple step-by-step format so that anyone with a similar skill set would be able to execute them without ever having seen them before.

Since several individuals or teams may be involved in the development of these guidelines, a standard format is recommended to facilitate consistency and conformity throughout the development process.

Once each guideline is complete, test it against the selected disaster scenarios to ensure all responsibilities of the defined role have been accounted for. Having teams review each other's guidelines can help to ensure they are in a simple, easy-to-follow, step-by-step format.

Phase 3: Plan Documentation and Testing

Assemble a Documented Business Contingency Plan — Now that the above preplanning and plan development stages are complete, a business contingency plan can be assembled and documented. The primary objective of documenting a business contingency plan is to provide an easy-to-implement guide or "road map," which identifies critical actions, responsibilities, and a proposed timeline for the restoration or recovery of both critical and non-critical functions. An outline of the plan may look something like this:

- **Introduction** — This section may include a policy statement or executive directive giving the Business Contingency Team the authority to implement the plan in the event of a declared disaster, along with a chain of command and emergency contact list.
- **General Information** — This section may include the plan's scope, assumptions, and recovery or restoration strategies.
- **Damage Assessment and Disaster Declaration** — In this section, guidelines for damage assessment and disaster declaration should be spelled out.
- **Critical Functions** — This section should include a prioritized list of critical functions, timelines for recovery and the roles responsible for restoring these functions. Results of the Business Impact Analysis should be housed here, too.

- **Recovery Guidelines** — This is where the recovery strategies are documented and role-specific restoration and recovery guidelines are provided. This is the road map of the plan outlining the who, what, when and how of recovery operations. This is where the recovery teams' roles and responsibilities should be housed.

Test the Plan — Since people are unlikely to read a book in a crisis situation, regular testing of the plan is recommended. Testing the plan will serve as an excellent training tool and will help identify possible gaps or deficiencies in the plan. Testing of the plan should be approved by senior management and carefully planned so as not to disrupt normal operations. Various testing procedures may include a structured walk-through or simulation. Test results should be reviewed for flaws, omissions and overlaps and the plan adjusted as needed.

Conclusion

One of the keys to surviving a disaster is to have a comprehensive business contingency plan. Thorough contingency planning and effective on-site execution immediately following a catastrophic event can help to prevent further loss while helping to maintain the appearance of the company's strength and security that customers, suppliers and the marketplace have come to know.

Unfortunately, far too many companies limit their contingency planning to their information systems, which leaves them totally unprepared to recover from other common business disruptions. An effective business contingency plan is one that provides a basic road map for the restoration and recovery of all departments, business processes and operations vital to the success of the organization.