

Risk A/T[®] Work



Risk A/T[®] Work is a forum dedicated to sharing safety and loss control tips with our brokers and insureds. **Risk A/T[®]** is our proprietary risk management approach promoting informed risk analysis based on two behavioral factors — **Aptitude** and **Tolerance**.

The Role of Business Continuity Planning in Operational Resilience

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The ability to adapt to an ever-changing environment is a key factor in the success of any business. Resilience is a characteristic tested by an organization’s preparedness for unforeseen incidents, while business continuity is the discipline in which an organization develops policies and programs to protect the business in the face of any disruption.

A business continuity policy provides the purpose and strategic direction for the business continuity program, and key elements of such a policy include the scope, governance, and roles and responsibilities.

- **Scope:** Identifies which parts of the business are included and which are excluded (i.e., products, services, and specific locations or sites).
- **Governance:** Establishes accountability for implementation, ensuring the program aligns with the organization’s objectives and that it is monitored and continuously improved upon.

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- **Roles and Responsibilities:** The program should have an owner, business function representation, and individuals or teams should be assigned to each role. There will likely be additional roles depending upon the industry and operational structure, and executive management should have a role in supporting the policy.

Impact of a Disruption

The recent ground stop of all flights across the U.S. on January 10th impacted every airline flying into, out of, and around the

country. This was the first time, since 9/11, that all flights have been halted, but the consequences were much broader than to just the airlines. Businesses that service airports such as food vendors, retailers and transport companies were impacted. Business meetings, medical procedures, and events planned around the country on January 11th were impacted. The full effect of this business disruption may never be known. And for some businesses, it triggered a subsequent disruption within their organization which will take weeks to recover from.

Understanding the impact a disruption will have on a business requires understanding the risks and threats to the business and the consequences the disruption will have over time. A risk assessment is a technique used by organizations to identify sources of risk, threats and opportunities, vulnerabilities and capabilities, and causes and events. While risk assessment identifies the potential causes of business disruption, a business impact analysis (BIA) is a tool that predicts the consequences of a disruption of a business function and gathers information needed to develop recovery strategies and resource requirements to mitigate impact.

A BIA should identify the operational and financial impacts resulting from the disruption of business functions and processes. Impacts could include the following:

- Lost sales and income
- Delayed sales or income
- Increased expenses (e.g., overtime labor, outsourcing, expediting costs, etc.)
- Regulatory fines
- Contractual penalties or loss of contractual bonuses
- Customer dissatisfaction or defection
- Delay of new business plans



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Risk and Threat Mitigation

Another key activity in the design phase of business continuity planning is risk and threat mitigation. This function often occurs within an organization’s risk management discipline and is intended to minimize the likelihood of a disruption occurring.

Once solutions are developed in the design phase, business continuity plans should be established to implement the solutions.

Business continuity plans (BCPs) are documented procedures on how to respond to a disruption. The number and complexity of business continuity plans will vary depending upon the size of the organization, but may consist of strategic, tactical or operational plans.

- **Strategic:** A high-level plan to support leadership in managing long-term effects of a disruption. These plans coordinate efforts across the entire organization along with ensuring communication with relevant parties and the media.
- **Tactical:** A more specific plan targeted at individual divisions, products, services or locations. These plans are typically process-oriented and designed to manage the short- and medium-term effects of a disruption.
- **Operational:** The most specific plans which are activity based and provide guidance on how to manage the immediate effects of a disruption, as well as the direct consequences.

Evaluating Your BCP

It is critical to evaluate or test BCPs. These tests, often referred to as exercises, have a variety of approaches:

- **Discussion-based exercises** (aka tabletop exercises): This is the simplest, least time-intensive exercise and consists of a structured discussion in a low-pressure environment.

- **Scenario exercises:** This exercise requires participants to be familiar with the plans and to demonstrate their understanding, as a discussion-based scenario unfolds within a specific time frame.
- **Simulation exercises:** This is a more elaborate exercise that integrates teams across departments or locations, to test elements of the plan by responding to a mock scenario or situation.
- **Live (functional) exercises:** The most realistic of the exercises, but also the most time-intensive and costly, as it is conducted real-time and includes everyone who is involved in the plan.
- **Test:** This exercise applies to equipment and technology, to identify additional unknown points of failure and to ensure initiation of back-up plans take place. used for what?, This is a pass/fail exercise.

We are Here to Help

A business continuity program is essential to ensure the resilience of your organization, and it provides the ability to respond efficiently in the face of an incident, crisis or disruption. It should be prioritized and actively managed like other management programs critical to the performance of your organization.

By implementing a formal BCP into your overall safety program, you are taking an important step to protect your business from unforeseen risks. Please reach out to your Sompso International Risk Control Specialist or contact us at +1 877 667 5733 or RiskControlQuestions@sompo-intl.com for more information.

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