

# BUSINESS CONTINUITY MANAGEMENT

Preparing for the Unexpected



Preparing your organization for a disaster can be an overwhelming task, but the risk of being unprepared can be even more devastating. Not planning for a crisis could put your company out of business for weeks or months – or forever! Protect your most valuable assets with The Hartford's Business Continuity Management Program.

## Meeting the Need for Business Continuity Planning

Hurricanes Katrina and Rita had devastating and lasting effects on the communities, businesses and people of the Southeast states. The 9/11 attacks and Oklahoma City bombing were tragic examples of the destruction and terror that can be caused by human hands.

This program is designed to assist you as you develop a customized Business Continuity Management Plan for your operation. The program provides you with an over-view of the Business Continuity Management process and describes the essential elements of an effective plan.

## Principles of Business Continuity Management

The Hartford's Business Continuity Management Program is designed to provide business leaders with the necessary tools and techniques to create and implement an effective business continuity management plan that will help their organization be prepared to continue operations following a major interruption. The program will help you understand:

- Why business continuity planning is essential to the success of your organization
- How to identify and prioritize potential hazards to which your organization may be vulnerable
- How to create an effective plan for crisis management and business recovery
- How to keep your plan current and your facility ready for crisis situations.



## Program Features

The Hartford's Business Continuity Management Program includes features that other programs do not, such as:

- Full day of classroom experiences and break-out sessions so business leaders can enhance their program education while working with other business leaders and Hartford Loss Control.
- Tailored program to meet the needs of all industry types and sizes.
- Easy-to-follow Business Continuity Management Guide that includes forms and elements critical to effective program development, such as: Business Impact Analysis, Risk Assessment, Emergency Contact List and Damage Assessment
- Table top scenarios intended to provide customers the opportunity to participate in a low stress activities that exercises critical thinking skills, familiarize business leaders with roles and responsibilities in the event of a crisis situation within a low stress, simulated setting.

## Prepare for the Unexpected

To learn more about The Hartford's Business Continuity Management Program, ask your Loss Control Consultant or Hartford Agent today.

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# ELEMENTS OF A BUSINESS CONTINUITY MANAGEMENT PLAN

Creating a comprehensive Business Continuity Management (BCM) Plan for your operation may seem at first to be an overwhelming task. The Plan is a series of documents, tasks, teams, training exercises, and drills (unified, of course, by a corporate mission statement, a written BCM policy statement, and the guidance and support of upper management). Thus, the process of creating the Plan can be easily broken down into several sections, each with its small component parts. Tackle them one at a time, and in their logical order, and you will end up with a working plan.

## **Getting Started: Establishing Policy and Organizational Structure**

1. Create the written BCM policy statement
2. Define the organizational structure, with a clearly defined chain of command and designated roles and responsibilities
  - a) Appoint a BCM Coordinator
  - b) Appoint and charge the BCM Planning Team
  - c) Appoint alternates and backups
3. Begin documentation

## **Assessment Planning: Identifying Hazards, Risks, and Assets for the Plan**

1. Conduct business impact analysis and risk assessment (hazard identification, probability estimate, impact analysis, risk evaluation rating)
2. Conduct asset evaluation
3. Assess and inventory capabilities and resources
4. Use mitigation planning to minimize risk

## **Preparedness: Developing a Plan for Readiness**

1. Appoint a BCM Coordinator and a BCM Team
2. Designate and stock an Emergency Command Center
3. Establish emergency communications systems and methods
4. Establish relationships with community organizations (fire, police, hospital, etc.)
5. Establish a media relations plan
6. Establish mutual aid agreements and reciprocal arrangements with other facilities, businesses, or institutions similar to yours
7. Plan for life safety: establish evacuation plans and routes; include planning for individuals with disabilities
8. Ensure protection of physical assets
9. Ensure protection of vital records
10. Ensure continuity of computer operations
11. Gather information and identify resources for crisis preparedness (phone numbers, helping agencies, supplies, etc.)

## **Response: Developing a Plan for Action**

1. Establish policies and procedures to:
  - a) Activate the Emergency Command Center
  - b) Receive and process emergency calls and information
  - c) Alert and warn personnel



- d) Engage the Emergency Preparedness Plan
    - Activate alarms, notify officials
    - Evacuate, shelter, and account for personnel
    - Activate emergency communications
  - e) Close the plant, offices, facilities, etc.
2. Document the incident and all actions taken

### Recovery: Developing a Plan for Resuming Operations

1. Conduct pre-emergency recovery analysis and planning (prioritize what to do to recover from an emergency)
2. Establish policies and procedures to
  - a) Conduct damage assessment
  - b) Conduct salvage operations
  - c) Activate recovery communications
  - d) Provide employee support

### Testing the Plan: Training, Drills, and Exercises

1. Conduct pre-training analysis and planning (to prioritize what training is needed)
2. Establish policies and procedures for:
  - a) Employee Training
  - b) Training Schedules
  - c) Tests and Drills
    - i. Orientation and Education Sessions
    - ii. Tabletop Exercises
    - iii. Walk-Through Drills
    - iv. Functional Drills
    - v. Evacuation Drills
    - vi. Full-Scale Exercises
3. Document test activities and results

### Plan Maintenance: Keeping the Plan Current

1. Conduct a formal audit of the entire Plan at least once a year. The review should:
  - a) identify areas to update
  - b) determine completeness
  - c) assess chain of command
  - d) evaluate employee knowledge and awareness
  - e) assess trigger mechanisms
  - f) evaluate inventory resources
2. Update the Plan whenever there are:
  - a) new BCM members
  - b) new operations, processes, materials, etc.
  - c) new or renovated sites or changes in layout
  - d) changes with outside agencies, new suppliers, vendors, etc.
  - e) mergers or acquisitions

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# HOW TO GET STARTED IN DEVELOPING A BUSINESS CONTINUITY MANAGEMENT PLAN

The first step in creating a comprehensive Business Continuity Management (BCM) Plan for your company may be the hardest one of all.

The situation could arise where you've been assigned the duty of creating a BCM Plan. However, you don't know where to begin - what to do, who to talk to, where to start, let alone how to complete it.

Not to worry. The Plan is simply a series of documents, teams, tasks, training and drills all united by senior management guidance and support. Still sounds daunting? Let's begin with the process of prioritizing each step and if they are addressed one at a time, in logical order, you will have an effective, functional BCM Plan in no time.

There can be many different strategies to develop a formal BCM Plan, but there are certain steps that must be dealt with to ensure you have imbedded your Plan into your overall business culture. The following steps are intended to be used as a guide that can assist you in building the most effective BCM Plan for your organization.

## Management Support

Underlying an effective BCM Plan is the strong support of your organization's upper management. The Plan must become part of your corporate culture. Your organization's management must perceive it as an essential and integral part of the organization's strategy

and operations. It is absolutely critical to the success of your Plan that you first have management support. In addition to providing approval and enthusiasm, upper management must:

- Allocate financial and human resources to develop, implement and maintain the plan
- Appoint and support qualified individuals for the plan effort
- Provide oversight to align the plan with other business programs, policies and plans, such as mission statements, operating plans, recall programs, etc.

## Establishing Policy and Organizational Structure

Once you've achieved management support, the first step in developing a formal BCM plan is to create a written policy statement. Each organization should have, as the first element in its plan, a written BCM policy statement that clearly reflects the organization's commitment to the process. The policy statement should:

- Define the purpose and objective of the policy
- Define the lines of authority
- Be fully endorsed by top management

The next step is to establish an organizational structure, which should clearly define the roles, responsibilities and chains of command for all individuals who participate in developing, implementing and maintaining the plan.



## Program Management

Once you've established the company's policy and organizational structure, the next step is clearly defining the management process for the program. It is the responsibility of a company's board and senior management to ensure that the company identifies, assesses, prioritizes, manages and controls risks as part of the BCM process. They should establish policies that define how the company will manage and control the risks that are identified. The board and senior management should understand the consequences of these identified risks and continually support continuity management. The primary purpose of the management process is to provide the effective ongoing management of the organization's BCM program. Once the board and senior management have assigned appropriate personnel to manage the BCM process, the designated personnel should:

- Integrate BCM into every business decision
- Incorporate BCM responsibilities in applicable employee job descriptions and personnel evaluations
- Perform regular audits and conduct test annually or more frequently.

## Business Impact Analysis

The business impact analysis (BIA) is the part of the BCM process that helps a business understand its financial and operational exposures in the event of an interruption. It identifies business processes that are critical to the survival of business and defines the time in which these processes must be returned to order to avoid significant impact to the overall recovery objectives.

It is important to emphasize that the BIA process is designed to identify business requirements and therefore is business-driven and not technology-driven. There are three key steps in the BIA process:

**Step 1** - Identify appropriate business functions/processes to analyze

**Step 2** - Identify appropriate participants for the analysis process

**Step 3** - Conduct and validate the BIA information and obtain sign-off

As part of your BIA, you should make sure you are assessing your business continuity throughout the business process supply chain. When completing the BIA, business area should conduct an analysis of

their vendor dependencies as they apply to critical business processes. The first priority should be those vendors/suppliers that support the most critical business processes. Consider vendors who:

- Provide services that support your critical processes
- Perform critical business processes
- Perform development, maintenance and production support for business applications
- Provide business recovery services, such as an offsite location for your employees if your facility is inaccessible

## Risk Assessment

The foundation of the Risk Assessment (RA) methodology is the definition of a critical outage. The definition of a critical outage for your business process establishes the basis for the assessment of interruption events. As a rule of thumb, the BIA should be completed before the RA to identify the critical functions that the RA should address.

The primary purpose of the RA is to identify the inherent risk of performing various business functions.

The two primary questions to consider when assessing the risk in a business function are:

1. What is the probability that things can go wrong? (the *probability* of one event)
2. What is the cost of those things going wrong? (the *exposure* of one event)

Risk is assessed by answering the above questions for various risk factors and assessing the exposure of failure and the impact of exposure for each risk factor. *Risk* is the probability times the exposure.

The RA should consider critical business functions such as:

- Personnel
- Automation
- Facilities
- Customers
- Interdependent companies
- Equipment
- Supplies and materials
- Transportation
- Vendors
- Vital records



## Developing a BCM Response

A BCM response can help you identify many of the actions and resources needed to enable the organization to manage an interruption – whatever its cause. A BCM response is made up of two separate plans: *Crisis Management* and *Business Recovery*.

A crisis management plan defines how the strategic issues of a crisis affecting the organization would be addressed and managed. Crisis management can be considered the prevention and/or response phase of planning for and/or implementing the organization's reaction to an incident. The primary goals of this plan include the protection of life, ensuring safety and health of personnel; to limit and contain damage to facilities and equipment, to stabilize operational and public image impacts of an event and to manage and communicate information about the incident.

A business recovery plan outlines the processes and procedures an organization establishes to ensure that essential business processes can continue during and after a disaster until normal operations are restored. Business recovery plans are created to respond to and prevent a significant interruption of critical business processes as quickly and efficiently as possible. As part of the business recovery planning efforts, all operations should be grouped into pre-determined categories with assigned sensitivity level indicators for recovery operations. For example, Category A would be those operations that must be resumed immediately following an interruption. This category should be reserved for the businesses operations and processes that are necessary to the financial stability of your organization.

## Testing and Maintenance

A successful BCM plan must have a testing program which begins simply and escalates progressively. It's important that all employees understand their roles and that they have the knowledge and skills to react promptly and effectively in a crisis situation. It's better to test and understand how the plan functions before a crisis, than to test it during a crisis.

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There are many different testing methods and techniques that can be considered such as:

### Tabletop exercises

In tabletop exercises, team members meet in a conference room setting to discuss their responsibilities and how they would react to various crisis situations. This is a cost-effective and efficient way to identify areas of overlap and confusion *before* conducting more demanding training activities.

### Functional drills

These drills test specific functions such as medical response, warning and communications procedures, and equipment – though not necessarily all at the same time. Personnel can evaluate the system and identify the problem.

### Evacuation drills

Personnel walk the evacuation route to a designated gathering area. Test the procedures for account for personnel.

### Full-Scale exercises

During a full-scale exercise, a real-life emergency situation is simulated as closely as possible. This exercise involves all the employees, team members and appropriate community response agencies.

Even after you have created, documented, tested and implemented your BCM plan, the plan must remain a living document that is always current and ready to be activated should the need arise. Conduct a formal audit of the entire plan at least once a year.

These steps should give you a starting point of what is involved in developing a formal BCM Plan for your organization. Remember, begin with the process of prioritizing each step and if they are addressed one at a time, in logical order, you are on your way to developing your plan.

For more information, contact your local Hartford agent or your Hartford Loss Control Consultant.

# HOW TO MAKE YOUR BUSINESS CONTINUITY MANAGEMENT PLAN MORE EFFECTIVE

There are many different ways to develop a Business Continuity Management (BCM) Plan. While business continuity objectives may differ from one organization to another, they are almost always directed toward protection of people, protection of property, and preparation for the organization to resume productive operations as soon as possible. With that, the question many companies face is how can I develop a plan that will be effective at the time of a crisis? Planning for business interruptions is no easy task, but this paper includes some well-known mistakes that should be avoided to ensure your business is as prepared as possible.

## **Information Technology Focused**

BCM Plans that solely focus on IT and do not address all the other critical operations within your business will not be effective if a disaster strikes that does not impact your technology, such as a pandemic flu or an act of violence. Effective planning protects all processes, not just technology and data centers.

## **Planning for Specific Events**

Planning specific resolutions for specific business interruptions, such as fire, earthquake, power failure, etc. probably won't be very effective unless the actual interruption exactly matches what you've planned for. Your business will still be unprepared if something occurs that was never anticipated. BCM Plans need to concentrate on processes and generic scenarios (such as a lack of power, staff shortage, facility closed, or critical supplier not available). What caused the interruption is not as important as the impact the interruption may have on your business.

## **Shortsighted Planning**

BCM planning needs to be comprehensive and consider the risks to all aspects of your operations. Developing plans that are too operational, such as only concentrating on a specific location or project or plans that only include the processes in functions, such as IT, HR and Facilities will not be effective.

It is important for planning to consider beyond just the internal risks at the organizational level. Consider your specific supply chain, critical vendors and suppliers, customers, and your community. These all need to be considered in terms of the consequences of the incident itself, but also as a resource in your planning. Consider engaging your critical vendors and suppliers in your plan development and ensure they know how critical they are to your operation and have them develop their own BCM Plans.

## **Not Considering Individuals in Need of Assistance**

During the terrorist attacks on the World Trade Center, two men carried a woman who uses a wheelchair down 68 flights to safety moments before the tower collapsed. Other stories have shed light on hardships people with disabilities faced in the aftermath of the crisis, including difficulties they encountered in accessing various relief services. The tragic events of last September have brought into focus the importance of taking into account the needs of all persons, including those with disabilities, in preparing for, and responding to, disasters and emergencies. They have also served to renew interest in how building requirements address accessible egress. (1)



Special needs may exist for those persons affected by mobility, visual, or hearing impairment, such as those who cannot walk at a reasonable pace and those who may not see or hear an alarm. Additionally, there are many who may not appear to have a disability but may require special assistance. Permanent conditions such as arthritis, or temporary conditions such as an sprained ankle, may limit one's ability to evacuate quickly and safely. Heart disease, emphysema, asthma, or pregnancy may reduce stamina. Identifying individuals in need of assistance is appropriate under the guidelines of the Equal Employment Opportunities Commission, and the Americans with Disabilities Act. Gathering information in order to assist during an evacuation should be limited to:

- Name of the individual
- Work location
- Type of assistance the individual requires

## Too Complex

Plans with so much detail that you can't find anything salient until page 73, will not be useful when you really need to use the plan. At the time of crisis, a team member should not be confused as to when to decide on disaster level 1, 2 or 3. Instructions should be clearly defined in the plan and very useable, or don't put it in the plan. You should include what tasks should be completed; when, by whom and the desired result.

## Inaccessible Documentation

If your only copy of your company plan is in your office or stored on your computer without remote access, all your planning can't be applied if an interruption causes a shut down of your IT system or your building was not accessible. Do not allow for a single point of failure in your planning process. All team members with responsibilities for BCM planning should have extra copies of your plans stored remotely and readily accessible in the event of a crisis.

## Obsolete Records & Documents

During an actual crisis is not the time to discover that your plans are not current. Time is critical and if

components of your plans are out of date, such as contact information, or major changes to business processes, you will have difficulty conducting an effective recovery during an interruption. An effective BCM plan a living, breathing document that is constantly being enhanced and revised as your business evolves. Your plan is more of a process that a document. A BCM Plan should be reviewed, audited, evaluated, revised and tested regularly to be sure it keeps pace with changes at your facility. Consider a formal of the entire plan at least once a year.

## Lack of Testing

Without a comprehensive testing program, how will your business know if the plan will actually be effective at the time of crisis? Many companies will put the time and resources toward developing BCM teams, conducting Business Impact Analysis and Risk Assessments, writing the plans and training individuals on the plans, but don't ever verify that the plans are effective.

A successful BCM Plan must have a testing program which begins simply and escalates progressively. This consists of rehearsing procedures with team members and staff. Your testing program can begin with a simple tabletop exercise with team members meeting in a room to discuss their responsibilities and how they would react to various crisis situations and build up to a full-scale exercise that consists of a real-life crisis situation that is simulated as closely as possible.

By avoiding these common mistakes during the development of your BCM Plan you will be well on your way to an effective plan that will assist your organization in the event of a business interruption.

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## References

- (1) **United States Access Board**, Resources on Emergency Evacuation and Disaster Preparedness

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