In an intensely competitive environment, a permanent market presence is essential in order to satisfy customers and achieve planned levels of revenue and profit. An interruption event can result in property damage but it can also pose a serious threat to the continued existence of the business. The benefits of embracing resiliency are increasingly evident as the dangers of not being prepared for contingencies are displayed in news headlines around the world.

Unpredictable events with extensive business interruption happen with increasing frequency. Every year, several thousand companies close their doors forever because of an unexpected event interrupting the flow of operations and for which management is unprepared to cope. It is estimated that after a major loss with an extended breakdown, over 40% of all businesses never reopen! “Business as usual” may not work if one wishes to remain in business. Interruptions are not always preventable, but their impact can be lessened through the implementation of recovery plans to support sustainability. A resilient enterprise is better able to anticipate surprises, recover from disruptions, adapt to changing conditions, and leverage emerging opportunities.

A costly example

A semiconductor plant in the USA producing chips for mobile phones caught fire due to a lightning strike in 2001. This caused severe problems for two of their customers who were major producers of mobile phone handsets. Whereas one company managed the crisis relatively successfully with an emergency plan, the other faced a major supply shortage resulting in loss of sales of at least USD 400 million and had to restructure their mobile phone division afterwards.

Clearly, it is in the interest of management, as well as of customers, employees, owners and investors to make efforts to avoid incidents with business continuity impact, or to manage them effectively when they cannot be prevented. A properly developed Business Continuity Plan (BCP) will
reduce the severity of an incident, even if the probability is unaffected. Business Continuity Plan development – in combination with our Business Continuity Management (BCM) audit and Business Impact Analysis (BIA) – gives customers the opportunity to develop fit-for-purpose business continuity plans within a comprehensive BCM process requiring the minimum disruption to normal management activities.

Plan to be prepared
Business continuity management (BCM) has been defined as: ‘A holistic management process that identifies potential impacts that threaten an organization and provides a framework for building resilience with the capability for effective response that safeguards the interest of its key stakeholders, reputation, brand and value creating activities’. (Business Continuity Institute, 2001). Corporate sustainability can best be supported through Zurich’s structured process. Zurich views BCM as a logical mitigation step to manage the multitude of risk exposures and potential interruption scenarios which could otherwise lead to financial impact if not checked. A robust continuity management strategy moves your company from reactive to proactive, to improve opportunity sustainable growth.

All companies should have a true understanding of their business interruption risks, and should be able to demonstrate the robustness of their business continuity plans designed to maintain enterprise resilience and protect profitability. This understanding starts with a structured approach to Risk Profiling and the development of a Business Interruption model, used to create a continuity plan which addresses the critical exposures and opportunities. The more complex the business, the more value there is in utilizing such a structured process to enable enterprise resilience.

Our approach to Enterprise Resilience
As seen here, Total Risk Profiling (TRP) is recommended as the initial step in Zurich’s business continuity planning process, which is designed to encourage your company to build resilience. TRP is beneficial to help management identify, prioritize and develop action plans to manage its business risks. Next, a business impact analysis is undertaken, to identify and quantify the systems that, when absent, would create a danger to the survival of an organization. The business impact analysis may also be coupled with a Supply Chain Assessment or Business Interruption modeling, to gather more quantification of key enterprise exposures which were raised in the...
Total Risk Profiling session. It is important to ensure that these essential systems and business drivers receive the correct priority in your subsequent Business Continuity Plan (BCP) in order to improve risk, recovery and reputation.

Not all losses can be covered by insurance. In the event of a major loss incident, the primary objective is to protect the business from the effects of damage or some other unforeseen events and maintain resilience. It is fundamental to prevent the events or at least mitigate their effects. In any case it is important to anticipate critical decisions. Zurich Risk Engineering has a well-established approach that works across a range of different business sectors and geographies.

We recognize that not all companies have the same needs regarding the development of business continuity plans. Zurich has developed a range of solutions from basic awareness training with simple plan templates through to a complete 11-stage BCP development process. Our approach closely follows recognized international standards on BCP for example in the UK (BCI), the US (DRI, NFPA) and Australia (ANAO). It can be tailored around individual customers' internal corporate guidelines.

Features

**Zurich’s BCM service provides:**

- A quick introduction to business continuity management and plan development.
- A process to establish preventative actions to reduce both the probability of occurrence and reduce the effects in case of incident.
- Assistance in preparing and documenting reactive measures in printed crisis emergency recovery plans.
- The opportunity for businesses to have more in-depth training and support in plan development.
- Return visits to audit and or test the plan at regular intervals.
- An efficient process to develop plans for individual plants or sites in the minimum time necessary.
- Where applicable, an introduction to third party software suppliers suitable for a variety of different companies’ needs.

Your benefits

All organizations, regardless of size or industry sector should develop some sort of business continuity plan. The content and level of detail in the plan depends on the nature, scale and complexity of the organization. In large organizations, there may be multiple functional and operational plans at sites, regions or corporate levels. In smaller organizations, a single plan may suffice. Understanding the precise customer needs enables the best-tailored solution to be defined in order to protect both tangible and intangible assets (including reputation).

BCM can minimize the operational impact after a relevant incident, and from a business interruption insurance perspective it represents an organization’s unique fundamental company protection tool. BCP development helps customers to identify gaps and to improve the ways they manage the risks they retain and those they transfer.
A success

The management of one of the world's largest pharmaceuticals companies was required by its parent to develop a BCP. It lacked time and experience, so Zurich provided assistance to create an approach which was consistent with the business needs and the corporate BCP guidelines.

Zurich was engaged to provide a structured supply chain assessment, business interruption and business continuity assessment of its critical sites and process areas, taking into account interdependencies and key supply chain routes. As a part of its business continuity planning, Zurich helped the company gain a deeper understanding of the overall supply chain and production interdependencies between its manufacturing sites. This enabled it to quantify the key business continuity vulnerabilities.

A solid BCM plan improves enterprise resilience by
• Encouraging prompt reaction procedures with effective business recovery plans
• Delivering custom-made stress tests, simulations and audits
• Utilizing proprietary business interruption modeling and supply chain analysis tools
• Reducing business disruption and reputation impacts through proactive planning

Our unique development process

What is unique about Zurich’s offering? Zurich has created a set of quick and easy-to-implement solutions for customers to develop business continuity plans. In particular our full 11-stage BCP development process is unique in the way we focus on the economic measures to close the GAP interval (the disruption time less the customer loyalty time). In this way, we ensure that customers develop a plan, in the minimum time necessary, to get mission critical activities back in operation.

1. Select the BCM team
2. Specify customer needs
3. Analyze potential disruption times and define GAP interval
4. Integrate critical suppliers into the process
5. Set up an action check list
6. Close GAP interval
7. Compile a draft BCP
8. Test the BCP and response
9. Complete the BCP and verify the BCM capability
10. Summarize BCM status for external use
11. Regular update and maintenance
1. **Select BCM team**
The BCM team should represent various departments such as marketing, production, IT, purchasing, communication and risk management. This guarantees adequate and sufficient information. A team leader with a good knowledge of the organization and excellent communication skills should be appointed.

2. **Specify the customer needs**
The process starts by asking how long customers would wait for supply before turning to a competitor after a major disruption. This time span is called customer loyalty time. As the customer needs have been expressed in explicit terms they show directly what issues to concentrate upon. This allows fast response and increases the necessary capability to improvise.

3. **Analyze potential disruption times and define GAP interval**
A risk assessment report provides various damage scenarios. Based on this, production and IT management assess the restoration or disruption time for the various scenarios. Deducting the customer loyalty time from the disruption time gives the GAP interval. The GAP interval is the time when competitors have the best opportunity to lure away customers. Management decides which GAP intervals are acceptable.

4. **Integrate critical suppliers into the process**
A company should not only focus on potential disruptions to its own business, but also to that of critical suppliers. To make sure that no link in the supply chain fails, the process also integrates sub-suppliers, customers and sometimes even competitors.

5. **Set up an action check list**
All members of the BCM team list their responsibilities in potential crisis and restoration work. The lists form the BCM team member’s individual Business Continuity Plan (BCP). Action lists are matched against each other to verify that responsibilities are known by all.

6. **Close GAP interval**
The Zurich Risk Engineer supports the BCM team in an iterative process to identify the most economic measures to close those GAP intervals that are not acceptable. The process will establish preventative actions to reduce probability (of occurrence) and reduce effects (in case of incident).

7. **Compile a draft BCP**
The BCM team and the Zurich Risk Engineer compile a draft BCP based on all information available. Every BCP should include an emergency plan, which many companies already have in place. Responsibilities for actions will be determined and documented.

8. **Test the BCP**
All BCM team members participate in tests simulating different serious loss scenario developed by Zurich, including simulated media communications.

9. **Complete the BCP and verify the BCM capability**
The recovery plan is completed by integrating the test experience into the draft BCP and distributing the final version to the BCM and management teams. A wrap up review of the entire BCM capability is held with all involved, locally as well as on group level. This will verify consensus of the contents as well as build important internal confidence in actual own capability.

10. **Summarize BCM status for external use**
Appropriate BCM inspires confidence among customers, suppliers, employees, shareholders and other stakeholders. The company should use its BCM capability as a marketing tool to enhance confidence in the company’s supply reliability and enterprise resilience.

11. **Regular update and maintenance**
As the environment and conditions change overtime, it is important to periodically review and, if necessary, update the BCP to reflect actual needs in case of a major event. Periodic auditing and testing is also recommended to maintain awareness and preparation at an adequate level.

**Scope of service**
In summary, there are three main components of Zurich’s BCP development offering:

- An introductory seminar on the subject to introduce managers to the key processes in business continuity planning, including crisis response and media management. This is built around PAS 56, using the Business Continuity Institute’s 5-step activity model.

- A training program to guide customers through the business continuity plan development process. This may also include
simple plan templates or familiarization with third party software as appropriate and could run from one-day to one-week.

- A comprehensive 11-stage BCP development process designed to identify, document and communicate the critical components of a plan.

How much input is required? Ideally, seminars can last a half day. Training can run over three days. The 11-stage approach is typically 2 to 3 weeks (80 man hours of customer management time). However, all of our services are scalable and can be adapted to meet your business needs and availability. The important thing is simply that your company begins taking steps to improve its enterprise resilience.

To prepare for change, you should change the way you prepare

It is often said that “to prepare for change, you should be ready to change the way you prepare.” Ultimately, predicting the infinite number of unknowable disruptions is less important than preparing to manage outcomes and effects of those extreme risks. Charles Darwin said that “it is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.” To this end, companies should implement ‘early warning systems’ based on wide sets of operational, economic and financial variables monitored within an ERM and BCM processes. Management can use this risk intelligence to develop activities that promote sustainability and strategic resilience. A holistic Business Continuity Management (BCM) plan can help you to master an unexpected incident to survive – and thrive following a major disruption.

For more information on Zurich products and services, please see http://www.zurichservices.com/zsc/strategicriskservices or contact:

Linda Conrad
Director of Strategic Business Risk Management
linda.conrad@zurich.com,
+1 410-371-9973