

# Insight: Business Continuity Planning

## Recognizing the Risk

A business continuity plan (BCP) is often misunderstood.

The objective of a BCP is to provide a predefined set of instructions or roadmap designed to help a business get operations back up and running in the shortest period possible following an adverse event. To be effective, it must be a living document that is continually revisited and updated when there is new data or scenarios unique to each business. In contrast, a disaster preparedness plan's focus may be to provide a checklist of items that can help to protect the property against severe weather events, or an emergency plan may focus solely on the safety of employees and preserving human life.

The risk of not having a comprehensive BCP in place or simply filling in blanks of a generic planning template is extended downtime and financial loss. A well thought out BCP takes into consideration the procedures and nuances that each organization operates by. It helps organizations navigate difficult times, calmly and efficiently.

Equally dangerous is using a "wait-and-see" approach. Some organizations believe they can rely on primal knowledge – thinking they will know (and do) what needs to be done as "it is done all the time." This approach is literally a plan to create the response while trying to recover. The risk of this approach is that what was believed to be the back-up for business-as-usual operations may turn out much different than anticipated post event. Huge amounts of time and resources can be lost as people try to "figure it out" using the plan-as-you-go approach. The longer the downtime, the bigger the risk for unrecoverable financial loss.

## Staying Viable After a Disaster Hinges on Effective Planning

Effective planning includes exploring a wide variety of topics such as, supply chain stability, single source raw materials, cyber security, physical security, fire prevention, liquidity and potential external threats from active assailant or geographically concentrated civil unrest. It may include analyzing market uncertainties, client demand modeling or, examining the ramifications from a global pandemic or a negative crisis management-worthy social media post. Regardless of the cause of the adverse event, companies need to quickly understand their options and have a prioritized roadmap to guide them – developed in advance of the need for implementation.

## Creating the BCP

While there truly is no template for creating a business continuity plan, there is a framework that, if followed, can help to identify and set priorities.

1. **Risk Assessment** – includes an analysis of potential threats and associated magnitudes of the identified exposures.
2. **BCP Development and Documentation** – includes robust scenario planning, predictions and potential response/intervention strategies with the set of response instructions and, determining key performance indicators should the plan be triggered.
3. **BCP Testing, Approval, Implementation and Maintainance** – includes stress testing various courses of action and maintaining the plan by keeping pace with changes in exposures and the companies risk profile, adjusting hypotheses, scenarios and solutions accordingly.

Overall, it is desirable for the BCP to consider a wide range of possible eventualities. While your business may be prepared for a worst-case scenario, it should also ensure that lesser disruptions are included in the plan to increase the overall resilience of the business. A ‘worst case scenario’ is generally the destruction of the main or most critical facility (or production line) but could extend to regional catastrophic events that impact suppliers and customers.

Table 1: Framework for Developing a BCP

Stage 1 – Assess the Risk	
Activity	Objectives
Risk Evaluation	<ul style="list-style-type: none"> <li>Identify critical business functions essential for continued service or production.</li> <li>Determine the events that can adversely affect your company, the damage that such events can cause, and the controls needed to prevent or minimize the effects of a loss potential.</li> </ul>
Business Impact Analysis	<ul style="list-style-type: none"> <li>Identify the impacts that result from disruption that can affect the company and the techniques that can be used to quantify and qualify such impacts.</li> <li>Prioritize critical business functions.</li> </ul>
Stage 2 - Develop and Document the BCP	
Activity	Objectives
Develop Recovery Strategy	<ul style="list-style-type: none"> <li>Determine and guide the selection of alternative recovery operating strategies to be used to maintain the critical functions.</li> </ul>
Document Plan	<ul style="list-style-type: none"> <li>Organize and document a written plan. Senior management should review and approve the proposed plan.</li> </ul>
Stage 3 - Test, Approve, Implement, Maintain	
Activity	Objectives
Test Plan	<ul style="list-style-type: none"> <li>Develop testing criteria and procedures. Coordinate, test, and evaluate the plan. Document all results.</li> </ul>
Approve and Implement Plan	<ul style="list-style-type: none"> <li>Obtain senior management endorsement of plan.</li> </ul>
Maintain Plan	<ul style="list-style-type: none"> <li>Develop processes to keep the plan up to date with reviews and tests completed at a maximum of 12-month intervals.</li> <li>Ensure the plan is in-line with the strategic direction of the company.</li> </ul>

For more information, contact your local [AIG Risk Engineer](#).

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