Supply Chain Management within Business Continuity

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Executive Director
DRI International

DRI International – Who Are We?

• A Non-Profit Organization Committed to:
  - Promoting a base of common knowledge for the continuity management industry
  - Certifying qualified individuals in the discipline of Business Continuity
  - Promoting the credibility and professionalism of certified individuals

• Celebrating out Twentieth Anniversary in 2008.

• The Industry’s Premier Education and Certification Program Body
DRI International - Who Are We?

- DRII has Certified INDIVIDUALS in over 75 Countries.
- DRII conducts training courses in over 45 countries.
- More individuals choose to maintain their certification through us than all other organizations in our industry combined (Over 6,500 individuals as of 2008)
- DRII Certifies individuals in English, Spanish, French, Japanese, Mandarin (expanding to Portuguese and Russian this year, Italian and Korean early next year)

Why BCP?

External Drivers
- Pressure From Audit Committees
- Pressure From Financial Institutions
- Pandemic Concern
- New Threats & Risks Since 9/11
- Demands From Customers
- Cost Of Insurance
- Perceived As Competitive Edge
- Reliance On Third Parties (Supply Chain)
- Increased Regulatory And Self-regulated Requirements

Effects
- Loss Of Customers or Inability to Attract New Customers
- Loss Of Revenue
- Decrease In Stock Value
- Increase Of Insurance Premiums
- Loss Of Assets And Employees
- Regulatory Sanctions
Risk Management vs. BCM

- **Cause vs. Effect**
  - **Risk Assessment** — Reducing Causal Implications
    - Identifies Threats (Facility, Environmental, Climatic, Geopolitical, Personnel, Business, Technology, etc)
    - Recommends Mitigation
      - Probability
      - Cost of Mitigation
  - **BCM** — Reducing Effects
    - What are the Implications of failing to mitigate or prevent
      - Preparation
        - Structure, planning, resources, testing
      - Execution
        - Relocation, operating under duress

Supply Chain
The Increase in Supply Chain Concerns - Dramatic

- March 17, 2000 – Ericsson vs. Nokia
  - 10 Minute Fire in Albuquerque Philips Microchip Plant

**Pre Fire Ranking**
- Nokia (32%)
- Motorola (22%)
- Ericsson (12%)
- On July 20, 2000, Ericsson reported that the fire and component shortages had caused a second-quarter operating loss of $200 million in its mobile phone division. Total loss $400 million

**Post Fire Ranking**
- Nokia shipments grew by 10.5 percent over the previous year, to 140 million units.
- Motorola shipments dropped by 1.7 percent to 59 million units.
- Siemens shipments grew by 10.2 percent to 30 million units.
- Samsung shipments grew by 36.8 percent to 28 million units.
- Ericsson shipments dropped by 35 percent to 27 million units.
Why Nokia Gained and Ericsson Lost

• Preparation - Nokia
  – Considered solutions before event occurred
  – Understood the need
  – Implemented recovery at other Philips plants

• Wishful Thinking - Ericsson
  – Believed early reports of little damage and interruption
  – Smart people will find a solution

Once Burned – Better BCM Means More Reliable Suppliers

Business Interruption and Recovery Plan
Supplier will provide Motorola with a detailed, written business interruption and recovery plan, including business impact and risk assessment, crisis management, information technology disaster recovery, and business continuity. Supplier will update the plan annually. Supplier will notify Motorola in writing within twenty-four (24) hours of any activation of the plan.
2003 Non-Dramatic

- SARS
  - Impacted
    - Facility and
    - Business Operations
  - Losses – Tourism estimated $50 billion

- Non-Dramatic
  - West Coast Docker Lockout
    - Business Operations
  - Losses $1.6 Billion/day

BCM Response

- Docker Lockout
  - Anticipated
    - Inventory Buildup
    - Redistribution for Retail Stores
      - Offset Pick n Pack Normal Operations

- SARS
  - Preparation
    - Distribute Operations
    - Failover
Supply Chain Requirements

- FFIEC – Appendix D - Interdependencies

- Third-party providers, key suppliers, and business partners
  - Outsourcing information, transaction processing, and settlement activities
  - Institutions should review and understand service providers' BCPs and ensure critical services can be restored within acceptable timeframes based upon the needs of the institution
  - If possible the institution should consider participating in their provider's testing process.

HOW FAR DOES THIS EXTEND?????
Supply Chain Requirements

• HIPAA – Business Associate (aka Chain of Trust)

The business associate must—(1) implement safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the electronic protected health information that it creates, receives, maintains, or transmits on behalf of the covered entity; (2) ensure that any agent, including a subcontractor, to whom it provides this information agrees to implement reasonable and appropriate safeguards;

Singapore – The Model for the Future?

• Standard for Business Continuity / Disaster Recovery Service Providers (SS507) - Singapore is the first country in the world to introduce a Standard and Certification program for BC/DR service providers. Developed by the Infocomm Development Authority of Singapore and the IT Standards Committee (ITSC), the Standard specifies the stringent requirements for BC/DR service providers. These requirements benchmark against the top practices in the region and stipulate the operating, monitoring and up-keeping of BC/DR services offered.
Trends

• Certification of Companies
  – BS25999
    • Voluntary Certification - Being Revised
  – PL 110-53
    • Voluntary Certification
    • Defining Standard
    • Defining Certification Body
  – Singapore SS507 - SS540

Supply Chain Management and Business Continuity Management

• BCM is an end-to-end process; i.e.; order/lead to cash
  – Upstream Supply Chain (on whom do you depend)
    • Internal Dependencies
    • External Dependencies
  – Raw materials
  – Pre Fab
  – Data
  – Personnel
  – Equipment
  – Facilities
Supply Chain Management and BCM

- BCM Uses Different Models for Different Industries
  - Service
  - Manufacturing
  - Distribution

BCM Project Phases

Contingent business interruption (CBI) insurance is used to soften the financial impact of events outside the firm's control; e.g.; supply chain. Effective CBI coverage revolves around:

1. Understanding the impact of other business on your operations
2. Having a business continuity plan

- BCM Process
  - Business Impact Analysis
  - Strategy Selection
  - Plan Preparation
  - Testing & Maintenance

**Business Impact Analysis**

1. Develop BIA questionnaire using Senior Management's recovery objectives
2. Conduct BIA workshop with Business Representatives
3. Distribute BIA forms and receive completed forms from Business Representatives
4. Review BIA Questionnaires
5. Conduct follow-up interviews with Business Unit Representatives

**Strategy Selection**

1. Identify and document resource requirements based on BIAs
2. Conduct gap analysis to determine gaps between recovery requirements and current capabilities
3. Explore facility options
4. Define strategy options
5. Select strategy

**Plan Preparation**

1. Link/Update Plan Model throughout BCP Process with gathered information
2. Develop Relocation Plans
3. Validate complete plan

**Testing & Maintenance**

1. Develop testing and maintenance requirements
2. Train Associates to create awareness of the BCP Model & individual roles
3. Plan for walkthrough testing
4. Conduct tests and document test results
5. Update BCP Plan to incorporate lessons learned from testing

**Ties to BI & CBI Insurance**

1. BIA Kickoff Presentation
2. BIA Questionnaire

**Participants**

- BCM Leader, Business Unit Representatives

- Summary of BIAs
- Gap Analysis Report
- Relocation Strategy
- Senior Management, BCP Leader, Business Unit Representatives

- Plan Model
- Relocation Procedures
- Business Unit Representatives

- Test Scenarios
- Pre-Test Checklist
- Test Monitoring Procedures
- Test Review Report

- Senior Management, BCP Leader, Business Unit Representatives, and Third Party Observers

Sheraton New Orleans
Means to Determine Requirements

- Business Impact Analysis (BIA) Questionnaires
- Required to Meet Recovery Objectives
  - Staff
  - Facilities
  - PCs
  - Telephones
  - Fax Machines
  - Office Equipment & Supplies
  - Stationery & Forms
  - Vital Records
  - Technology Platforms
  - Internal Networks/External Connectivity
  - Applications
  - Equipment
  - Suppliers

Recovery Resources (continued)

- Dependencies
  - Internal Business Functions
  - External
    - Vendors
    - Suppliers
- Resource Gap
  - Difference between BIA resource requirements and actual available resources
Recovery Strategy & Resources

• Phased Recovery - Strategy
  – Strategy & Resources for Short Term; i.e., First Day
  – Strategy & Resources for Medium Term; i.e., First Week
  – Strategy & Resources for Long Term; i.e., Longer Than One Week

• Match to Business Recovery Objectives
  – Pros and Cons
  – Cost-Benefit Analysis

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How It Works

- Business Impact Analysis (BIA) Questionnaires
  - Capture Recovery Requirements
    - Resources
    - Time
    - Data/Information
    - Include End-To-End Process (Map Upstream)
    - Dependencies
      - Internal
      - External
        - Vendors
        - Suppliers
        - Outsource

Thank You

Questions and Answers
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Ties to BI & CBI Insurance:

1. BIA Kickoff Presentation
2. BIA Questionnaire

BCM Leader, Business Unit Representatives

1. Summary of BIA
2. Gap Analysis Report
3. Relocation Strategy
4. Workarounds Procedures
5. IT Procedures

1. Plan Model
2. Relocation Procedures
3. Workarounds Procedures
4. IT Procedures

1. Test Scenarios
2. Pre-Test Checklist
3. Test Monitoring Procedures
4. Test Review Report

Senior Management, BCM Leader, Business Unit Representatives, and Third Party Observers

Sheraton New Orleans

April 12-14, 2010
Sheraton New Orleans
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Worse Case Scenario

NORMAL DAY-TO-DAY OPERATIONS

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