

# VMEC TODAY

*The Best Resource for Vermont Manufacturers*

*Third Quarter 2005*

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## **Business Continuity Management — A Wise Investment**

*by Geoff Carnes, Risk Solutions International, LLC*

In today's uncertain world and challenging business environment, it has become imperative that business operations are resilient and can demonstrate their capability to "be there" for key business partners and customers. Business Continuity Management (including emergency response, crisis communications and business continuity planning) has evolved rapidly in recent years as organizations are developing increased awareness of the requirement to pre-plan their possible recovery from large, catastrophic business interruptions and/or more mundane occurrences that can take essential operations off-line. Additionally, many companies and organizations must manage risks across their supply chains — not just those internal to their own organizations.

Regardless of what takes operations off-line, an ability to exhibit a controlled response is critical. Failure to do so

may unnecessarily jeopardize your entire company, your brand, and/or your reputation in the marketplace. If you aren't capable of meeting the needs of your customers, you must assume that your competition will be! This can result in a permanent loss of customers and hard-won market share.

Regardless of the industry, all organizations should ensure their preparedness to respond to and recover from an unexpected business disruption. Operational preparedness planning should address internal needs, like ensuring the availability of resources to continue normal operations such as personnel, facilities or equipment. This planning process should also look outside the organization and include the entire business process. This encompasses vendors in the supply chain whether they provide product or information. Disaster recovery, planning for the information technology recovery

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### **Are you prepared for a disruptive crisis, such as:**

- Damage to a key production plant and its loss of use for an extended period?
- Loss of IT systems, key records, or basic communications?
- Loss of a critical supplier or reduced supply and shipment transportation?
- Significant damage to your company's reputation?
- Loss of an owner or key staff through death or injury?

**a NIST | Network  
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## Director's Corner

I recently read that nearly one in five businesses suffer a major disruption every year. That number was a surprise to me, but we all know how quickly the world around us can change, especially in this post-September 11th era. Business Continuity Management and Business Continuity Planning (BCP) are the means to ensure that essential functions of your business can survive a natural disaster or other major disruption – everything from fire, flood, earthquake, loss of a key person, to a technological disaster like having your business data completely wiped out. This is a critical business issue that is generally not a focus of much attention by Vermont's smaller manufacturers. In order to assist Vermont companies in this area, VMEC is now partnering with Risk Solutions International, LLC, a world-class provider of Business Continuity Management and BCP services for business and industry. RSI provided this month's lead article on this important subject, and RSI and VMEC will be offering a unique Business Continuity workshop and simulation in our fall 2005 workshop line-up.



Another area that will soon be impacting many businesses is an automated data capture technology called Radio Frequency Identification Technology (RFID). This technology provides a more efficient method for manufacturers, retailers, and suppliers to collect, manage, disseminate, store, and analyze information on inventory and other business processes, in real-time, by wireless radio frequency transmission. Information is stored on a tag that may be passive or active, and it is attached or imbedded in a product or pallet, etc. The development of inexpensive tags has created a "revolution" in RFID adoption and is making wide-scale use of this relatively old technology a certainty. RFID offers several improvements over predecessor technologies such as barcodes and magnetic stripe cards. Wal Mart is now deploying RFID and so is the US Department of Defense. The adoption of RFID is beginning to be strongly pushed into a growing number of supply chains and this trend is projected to increase rapidly. Plan to read the in-depth article about RFID. Keep in mind that VMEC can assist companies in deploying and effectively using RFID.

Finally, I encourage you to frequently visit our website at [www.vmec.org](http://www.vmec.org). We are routinely adding fresh content, including information about existing or new products and assistance services, along with other information of value to Vermont manufacturers. Additional workshop and training opportunities are frequently being scheduled based on demand. I hope you enjoy reading this issue of VMEC Today.

Bob Zider  
Director / CEO  
July 2005

## News Briefs

Please visit the VMEC Press Room ([www.vmec.org/pressroom](http://www.vmec.org/pressroom)) for more information on these and other VMEC news items.

### New VMEC Staff

VMEC has hired Sean Jordan as a Professional Manufacturing Advisor. Sean joins VMEC from the New Hampshire Manufacturing Extension Partnership (MEP) where he spent over 5 years as an MEP Project Manager providing assistance and training. Sean has also done considerable work outside New Hampshire, traveling extensively in many other states working with both small and large manufacturers on behalf of our regional/national NEMSC partner, MEP MSI. Sean received his Bachelor of Arts degree from University of Massachusetts — Boston and is currently working on his Masters of Science degree at UVM.

### CE Marking Seminar

The Vermont Global Trade Partnership is presenting a half-day seminar, "CE Marking Basics," on August 4, 2005, at Champlain College. This seminar presents an overview of European technical regulations and the CE marking product compliance system. It is designed to help manufacturers better understand the benefits, challenges and implications of CE marking. For more information, please contact Susan Murray, Director, Montpelier Export Assistance Center, at 802-828-4508 or [susan.murray@mail.doc.gov](mailto:susan.murray@mail.doc.gov).

### Help for Import Impacted Manufacturers

The New England Trade Adjustment Assistance Center, Inc. (NETAAC) is a government funded non-profit organization that offers cost share assistance for imported-injured manufacturers through grants from the U.S. Department of Commerce. NETAAC's goal is to help New England manufacturers increase profitability and retain employees while competing with imported products. Many of the consulting and training solutions provided by VMEC, including lean manufacturing, strategic planning, and quality improvement, may be covered under the program.

To be eligible, manufacturers must show a decline in sales and employment, within the most recent twelve months, due to increasing imports into the U.S. domestic market. NETAAC will assist the manufacturer to assess eligibility and prepare the application that must be filed with the Department of Commerce. Once eligible, NETAAC works with the company to identify the specific actions that can be taken to improve performance and competitiveness.

Participating firms found that both sales and employment increased after assistance and at rates significantly better than those of a control group of similar firms did. They attributed this positive result to the depth of breath of technical assistance available through the program as well as the ability to customize the assistance to the individual needs of a firm and to deliver it through the best available outside experts.

For more information about the New England Trade Adjustment Assistance Center, you can visit their website at [www.netaac.org](http://www.netaac.org). Formal inquiries can be made directly to the center located at 600 Suffolk Street, Fifth Floor North, Lowell, MA 01844 or by calling (978) 446-9870.

needs of the organization, is yet another critical component to business continuity.

Companies actually conduct many components of a “recovery” on a regular basis. This often comes under the guise of normal operations, such as plant consolidations or shifting operations during planned “down-time” at a facility. The information technology components may be exercised when new technologies are introduced and tested prior to “going live.” It is imperative that these procedures are formally documented and that all staff is trained in their specific roles and responsibilities during recovery from a real, unplanned business disruption.

As organizations are assessing and addressing their capabilities to recover from a business disruption, it is equally important that they evaluate the viability of their suppliers. When evaluating your own resiliency, you must enforce the same standards on all organizations in your supply chain. A thorough vendor continuity review should assess the policies, management practices and operational resilience of current vendors and the supply chain. This could reduce supply chain disruptions that leave you unprepared.

Today, many more organizations are evaluating their business continuity and disaster recovery capabilities because they feel increased pressure to do so. This pressure is coming from various sources, include regulations, industry standards, and from customers. Companies enjoying the significant benefits of Lean manufacturing are also operating in a just-in-time environment, and therefore may have smaller margins for error than in the past when carrying excess inventories were routine.

You must ensure that your recovery plans will work for you and meet industry standards, regardless of the drivers for their development.

### Why Business Continuity Planning?

- It may enable your company to survive after a major business disruption
- Reduce your company’s potential loss of customers, brand reputation, revenue and assets
- Potentially enhance your risk profile with insurance carriers — affecting Property, Business Interruption, Contingent Business Interruption, and Extra Expense insurance coverages
- Reduce operational risk and improve your recovery times
- Mitigate the impact of an outage on key processes and services

You should also be prepared for your customers to inquire about reviewing your plan, as well as documented test results that help to ensure its effectiveness.

Like all projects, the success of a business continuity planning project hinges on some key success factors. Management support, adequate financial and human resource allocation, and a proven planning process and methodology are some of the most critical components to ensuring success.

Establishing a business continuity planning organization, or steering committee, is critical and must be done at the onset of a project and include appropriate members of the management team. Business continuity planning projects can result in organizations reviewing their current operations and making strategic changes to ensure operational resiliency. Few of these changes can be successfully implemented in the absence of management support and approval.

You should expect employees from many areas in your organization to be involved throughout the course of the project lifecycle. Their involvement should be to provide subject matter expertise and to validate the findings and strategy recommendations of the project team. Time commitments can

be offset by employing outside consulting assistance, but should still not be underestimated.

Employing a proven methodology for a business continuity planning project is a must for ensuring a timely and successful project completion. Utilizing tools and processes that have been developed and continuously improved to comply with the many standards and regulations will help you to develop a plan that will meet your organizational recovery objectives. Below are some of the major phases that must be included in all business continuity planning projects:

**Business Impact Analysis (BIA):** to assess the quantitative and qualitative impacts, including the financial implications, performance impacts and brand/reputation impact of an unexpected business disruption on key processes, products and services. The BIA also should identify business process-driven Recovery Time Objectives.

**Gap Analysis:** to compare your existing recovery capabilities (i.e. alternate production capabilities/facilities, information technology recovery plans, etc...) with business requirements obtained during the business impact analysis.

# RFID: Lemons or Lemonade?

The following is an excerpt of the article by Rick Korchak, RFID Practice Coordinator, NIST.

Next time you're in a supermarket or a department store, try and find an item on the shelves that doesn't have a bar code printed on the label. Bar codes are everywhere — they've become an integral part of our lives and a good example of a relatively new technology that is now so widely used that it's taken completely for granted.

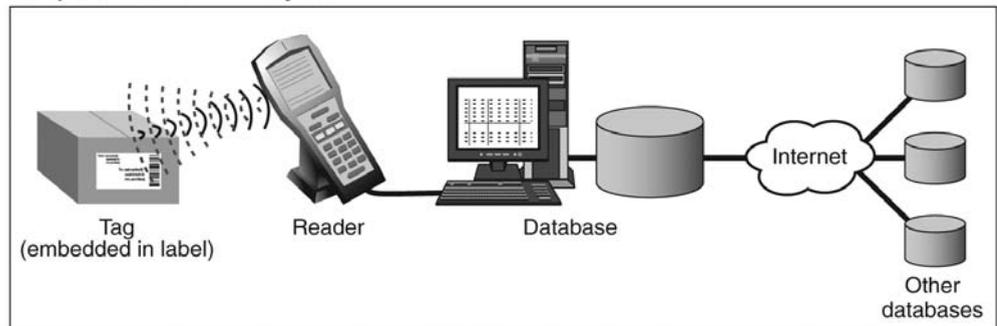
Bar coding was first used in retail on June 26, 1974, when a pack of Wrigley's Juicy Fruit chewing gum rolled down the conveyer belt and flashed under the scanner at Marsh's Supermarket in Troy, Ohio. If you are more than 30 years old, you probably remember grocery store checkout lines before bar codes and scanners. Every item was manually priced and the cashier had to enter the numbers on a cash register keyboard — and make change without computer assistance — how quaint! Mistakes were frequent and a trip through the checkout line felt like it took an eternity.

Bar coding changed all that, but not without controversy. It was a new technology: it was expensive to implement, retailers and consumers didn't like it, it took many years to become ubiquitous and very few thought it would amount to anything. It took many years for bar coding to become ubiquitous and some thought the technology would never be widely used.

Fast forward to 2005, and this tale is replaying itself with another technology from the same family tree. RFID, or **Radio Frequency Identification**, is rapidly becoming the buzzword of the 21st Century's first decade. It will affect us all and it seems destined to have benefits — and consequences — far beyond bar coding.

Several very large organizations, including Wal-Mart, Target, the Department of Defense and others have begun to implement RFID technology to identify and track items

Components of an RFID System



Courtesy: Government Accountability Office May 2005 RFID Report Visit [www.vmec.org/files/gao\\_rfid\\_report.pdf](http://www.vmec.org/files/gao_rfid_report.pdf) to read the entire report.

throughout their extended enterprise. They are starting to require the use of RFID within by their suppliers, and these mandates will eventually affect every organization in the supply chain, right down to the smallest manufacturer, distributor and retailer.

When will this happen? Wal-Mart wanted its top 100 suppliers to be RFID compliant by the end of the first quarter of 2005, and they expect the rest of their suppliers to be using RFID within the next 2-3 years. The Department of Defense also expects all of their approximately 45,000 suppliers to become RFID compliant over the next several years, as witnessed by their fiscal year 2005 contracts with suppliers.

And it won't stop there — large original equipment manufacturers (OEMs) in the aerospace, automotive, food and other industries have also started implementing RFID technology. Within the next few years, RFID compliance will be expected by virtually every supplier in every industry sector.

So what is RFID, what will it mean to your business and what should you do to prepare?

To paraphrase an old Chinese proverb, every journey begins with the first step. In this case, the first step is learning as much as possible about this technology and its implications. This knowledge will help you to develop a business strategy and, if neces-

sary, an RFID implementation plan that will eventually — and hopefully — improve the bottom line.

## RFID Training in Vermont

The DoD is working with the Procurement Technical Assistant Centers (PTAC) to provide no cost training and information forums to the DoD suppliers on RFID. This training will consist of:

- A thorough discussion and overview of DoD RFID Policy
- An overview of RFID Implementation Options
- Benefits of RFID
- Overview of Active and Passive RFID
- Overview and training on the Advance Shipment Notification requirement
- Overview and training on Wide Area Workflow

In Vermont, the Government Marketing Assistance Center (Vermont's PTAC) will be offering this training at locations around the state beginning this summer.

For more information on DoD requirements and implementation plan for RFID visit:

[www.dodrfid.org](http://www.dodrfid.org)

## **RFID: Lemons or Lemonade?** *continued >>*

It won't be easy and it won't happen overnight. This article won't make you an RFID expert, but it can help start you on the road to understanding RFID technology and the implications for your business.

RFID has been called "the oldest new technology in the world", but even though it's been receiving a lot of press recently, RFID was actually first developed in the 1940s. During World War II, the British used a crude RFID

system for their "Identification Friend or Foe" (IFF) systems in Royal Air Force bombers.

The recent interest in RFID has come primarily from large manufacturers and others who are continually looking for technologies that can improve their productivity. The ultimate (and theoretical) goal is to reduce inventory to a point where a single item is delivered to the shelf just as the customer reaches for it. This means that the ability to

track and control inventory is a key factor in reducing overhead, shipping expenses, stocking fees and "shrinkage" due to loss, theft or damage.

*Please go to [www.vmec.org/files/rfid\\_2005.pdf](http://www.vmec.org/files/rfid_2005.pdf) to read the entire article. You will need Adobe PDF to download the document. If you have any problems, or do not have web access, please call 802-865-7903 and VMEC will send you the entire article.*

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## **Business Continuity Management — A Wise Investment** *continued cover >>*

Strategy Selection: evaluate solutions for production, work area and systems recovery for the various sites where business and operational activities can be resumed with minimal impact to existing processes and maximum transparency to your business partners and customers. This should include an evaluation of internal and external recovery solutions that meet your business needs and capabilities. The selected recovery strategies should be aligned with your insurance program.

Business Continuity Plan (BCP) Development: finally, you must appropriately develop and document your business continuity plan. This

should detail all the pre-determined procedures that will be carried out in the event that a disaster occurs. The BCP must also identify the roles and responsibilities of those involved in the recovery effort.

The importance of pre-planning your organization's response to significant business disruption should not be underestimated in today's business environment. As senior management assumes increasing liability for the actions of their organization, it is important to prepare for potential business disruptions that could jeopardize shareholder or stakeholder interests and/or the viability of the company. Business

Continuity Management is an important issue that must be addressed by management in all organizations. This is the only way to fully ensure that you understand your exposure from business disruptions, how to mitigate these exposures, and have an effective plan in place for the fastest possible recovery. Wise managers and leaders understand the necessity of this planning and the possible high rate of return on this investment.

Visit [www.vmec.org](http://www.vmec.org) to take the business continuity management self-assessment.

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## **New at VMEC.org**

VMEC has added a new feature to the New England Manufacturing Supply Chain (NEMSC) section of our web site. The site now includes a library of "Defense Contracting Resources," which includes articles and directories pertaining to doing business with the government. If your company is interested in pursuing government contracts, this web site is your source for the most up-to-date information. Visit [www.vmec.org/nemsc](http://www.vmec.org/nemsc) often to view additions to this new section.

## Coming This Fall

VMEC, along with Risk Solutions, Inc. (RSI), will present a workshop that will provide you with an opportunity to better understand emergency response, business continuity planning, and crisis management. Experts from RSI will facilitate this workshop. It will consist of a single simulated hypothetical scenario, presented through three moves or "snapshots," representing specific time frames in the scenario. In essence a 3 day event in 3 hours. The scenario depicts a hypothetical situation involving a potential disaster, the local authorities, your business processes and people. Following an individual examination of the scenario, there will be a facilitated discussion period, which will foster interaction and coordination among participants in the event. Facilitators will assist you in guiding your discussion and answer any questions that you may have.

### Workshop Objectives

- Gain a better understanding of emergency response, business continuity planning, and crisis management — why each is important and how they are integrated.
- Think about how your company or organization would respond to the events depicted in this workshop. Hopefully, you will identify enhancements to your current preparedness activities that will better enable your organization to respond to and recover from an emergency or crisis.

*If you would like more information on Business Continuity Planning, or this event, please contact VMEC at 802-728-1432.*



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