



The Show Must Go On

Having a contingency plan and being able to execute it will ensure the bottom won't fall out of your bottom line.

by Traci Purdum, Staff Writer

Terrorism. Blackouts. Strikes. Wildfires. Hurricanes. Earthquakes. Death. No matter the disaster, being able to ensure consistency in your manufacturing operations is paramount to your company's success. After all, if your company can't do its job, some other company will.

Despite recent large-scale catastrophes such as the three-day August 2003 blackout in the Northeast and the wildfires that ravaged Southern California last fall, many companies aren't prepared for a disaster. According to Robert Half Management Resources, 36% of companies it surveyed do not have a business continuity plan in place.

"Companies cannot afford to ignore the possibility of a disaster or significant business disruption that can jeopardize physical assets, operations and employees," says Paul McDonald, executive director of Menlo Park, Calif.-based Robert Half Management. "Business continuity plans should be current and flexible -- outdated or untested methods provide a false sense of security, leaving companies at greater risk of operational failure."

What is holding manufacturers back from implementing contingency plans? Sometimes it's a matter of money. The return on investment isn't seen until disaster strikes, and who wants to invest in disaster? Other times it boils down to risk tolerance -- "What are the chances a disastrous event will impact my company?"

Unfortunately, chances may be pretty good. According to the Ohio Manufacturers' Association, 55% of the 22,000 manufacturers in Ohio were impacted by the August blackout, which hit parts of Canada also. The association estimates that the power outage may end up costing Ohio manufacturers \$1.1 billion.

One manufacturer, Ford Motor Co., Dearborn, Mich., had to close 23 plants in Michigan, Ohio and Ontario. However, being prepared helped Ford stem the bleeding. "The quick response of numerous teams of employees prevented more lasting damage," the company said. Ford immediately switched some critical operations to battery backups and generators to maintain data and continue serving retail customers and dealers. Other personnel were charged with restoring communications networks and preparing facilities for work.

How do less-prepared manufacturers start planning for the unexpected?

"The first thing you should do is a business impact analysis," says Stan Mork, director of business continuity and technology planning for consultancy firm RSM McGladrey, St. Paul, Minn. "That's where the manufacturer really determines what's critical in the event of a disaster. And not everything needs to be restored within 48 hours [after] a disaster."

What does need to be restored are those business processes that enable a manufacturer to make products and fulfill orders, according to Mork. Making sure the soda machines in the lunchroom are functional can wait.

Agreeing with Mork is Al Berman, senior vice president and business continuity management practice leader of Marsh Inc., a global insurance brokerage and risk-management consulting firm. "You attack it by looking at things such as revenue, cash flow, regulatory compliance -- things that would have significant impact. Reputation is an example," says Berman. "Things that if they were adversely affected, would have a huge impact on the organization both short term and long term."

Also consider supplier vulnerability.

"In today's world, we're just-in-time, and people don't want to store a lot of raw materials. If you don't have secondary suppliers, a disaster with them could become a disaster to you," Berman says.

Indeed, "If my computer calls up my vendor and says send me some parts, and the vendor's computer doesn't answer, there's a problem," explains Chicago-based John Jackson, vice president of IBM Business Continuity and Recovery Services. "It's going to affect your ability to manufacture, sell and distribute your products."

Jackson suggests that companies get a contractual commitment from suppliers that they will be able to support their operations and be able to meet the requirements of supplying to their companies.

Adds Berman, "What we're seeing from a lot of smaller companies that are part of that supply chain for larger corporations is that their customers are asking them to have business continuity because they are concerned."



Berman believes that the business-continuity planning process itself will point out vulnerabilities that can be addressed immediately. For instance, in terms of the supply chain, companies might move to two suppliers or move to one that isn't in the same area of vulnerability that the company is, says Berman.

Another thing to consider: How are you going to contact employees? A plan works only if you can contact the right people to get the ball rolling.

"The faster you can get the key people to first identify that an event has happened and then to resolve the issue, the better for the business and the less cost that is incurred," says Lorin Bristow, vice president of marketing, Dialogic Communications Corp., a Franklin, Tenn.-based provider of critical communications services. "It's critical for people managing a crisis to know who has been contacted, who is available to respond and who is not."

Bristow's company has provided its services during many critical events. One example is Sept. 11. "The facilities were no longer there. We had companies that had to notify their employees about what to do and where to report," says Bristow. "Communications are the backbone of a contingency plan. If you have a great plan, but you can't communicate it, it won't work."

What it all boils down to is preparing your company for the worst.

"You have to figure out what's important," says RSM's Mork. "You have to figure out how to recover those things. You have to write it down so people know what to do, and there needs to be some kind of training and testing. If you go through these steps, you're going to end up with a plan that will give you a lot more assurance that if something happens tomorrow, you're going to be able to recover from it."