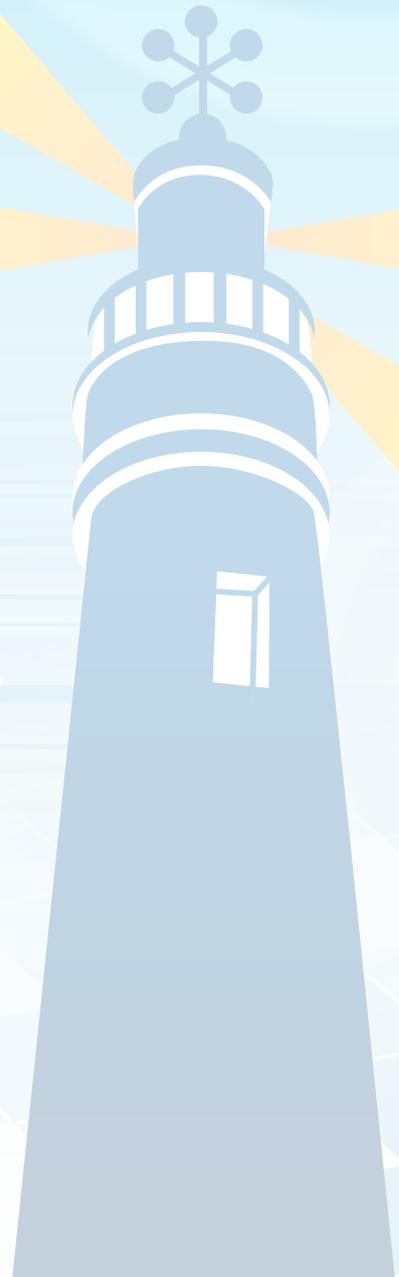




Asia-Pacific
Economic Cooperation

Guidebook on SME Business Continuity Planning



APEC Small and Medium Enterprise Working Group (SMEWG)
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Business Continuity Plan Booklet for Small, Medium Enterprises

Intro- duction

Is your company prepared for disasters?

If you have not prepared for such incidents, you are (unconsciously) preparing for a failure when a disaster or an accident hits your company. An effective Business Continuity Plan (BCP) is your solution to protect your business during a crisis.

The booklet will guide you through the following easy 10 steps to build your company's BCP. The 10 steps are based on ISO22301 Business Continuity Management Standard System.

10 Steps for BCP

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**Step
1**

Determine BCP Purpose, Scope and Team

1. Purpose

You should make the purpose clear as to why your company is going to introduce BCP. BCP is to protect your business operation from disasters and accidents. Your clear purpose will be a very important criterion in determining priorities of your key products or services and selections of your business continuity strategies. What is your BCP purpose? The first priority is to protect people, your employees and visitors to your premises. The second is to protect your business, fulfilling your contractual obligations to your customers and users, meeting social responsibility and contributing to the local society and economy. It will secure employment and protect employees' livelihoods.

2. Scope

The question is which section(s) of your company would you want to introduce BCP? You can limit the scope to key sections (or departments) which introduce BCP. For example, you can select the main factory which manufactures the company's top brand product or No.1 shop which sells most. You can decide the scope of the BCP based on your business needs and own circumstances. You have to include the core sections which are very critical to your company's survival.

3. BCP Leader

You need to appoint a BCP leader who takes the initiative in company-wide BCP activities. BCP leaders should be given authority and responsibility, which are necessary to carry out his or her role. BCP is the company-wide activities that require active participation and cooperation from the relevant sections. It is desirable to nominate a person who is widely trusted in the company. If the company size requires it, a support team should be selected to work under the direction of the BCP leader. Management need to ensure the necessary resources, including a budget which is available for the BCP leader and team to carry out their duties. The SME owner (senior management) should demonstrate a visible commitment to BCP activities and should know that only verbal instructions are not enough to achieve successful results.

Step
2

Prioritized Activities and Recovery Time Objective

In Step 2, you will consider what is your company's lifeline product or service? Which product or service should be recovered (be delivered) as the first priority when a natural disaster (or an accident) disrupts the company's operations? Which business activity makes a top selling product? Which shop sells most in your company? Those critically important business activities are called Prioritized Activities (PAs). You have to identify the Prioritized Activities of your company.

As the second step, you should know the impact (timeline) of total disruption to the main activities listed. How soon would the total disruption of these activities become unacceptable to your company. (This period is called Maximum Tolerable Period of Disruption / MTPD). What must be done to get your business operational again in the shortest possible timeframe, before heading towards exiting the business or filing for bankruptcy?

Step
3

What Do You Need to Resume Key Activities?

Prioritized Activities are supported by various internal and external resources. When disrupted, Prioritized Activities are going to be resumed and those supporting resources should be available and ready. In Step 3, you need

to identify and list the necessary resources. In the subsequent steps, you will review risks to the listed resources, and their vulnerabilities. You will consider what measures are necessary to protect, secure availability, or prepare alternative options. Therefore, this list is very important and basic information in your BCP planning.



The first category is Internal Resources, which are usually under your company's control. These include buildings, equipment, machinery, tools, stock, materials, IT systems, documents and drawings, etc. It is also important that human resources be reviewed from the perspective of employees' special skills and expertise.

The second group is, Essential Utilities such as electricity, gas, fuel, water and sewage etc. Communication network (phone and internet) and transportation network (roads, railroads and ports) are included. These resources are provided by public entities. They are not usually under your control. Typically, ordinary companies cannot afford to arrange alternative sources for essential services, due to the prohibitively high costs, and their availability. Therefore, these would become a basic condition for resumption of your Prioritized Activities.

The third group is, your company's Business Partners and your upstream and downstream business chains. This group (direct and indirect partners) are not only your suppliers, but also your customers. In the two catastrophic natural disasters, the East Japan Earthquake and Thailand's Floods which occurred in 2011, many companies were seriously affected by disruption to their supply chains. Many companies, which were not directly damaged by the natural disasters were also seriously affected.



Step 4

Risk Assessment- Know Your Disaster Scenarios

In Step 4, you need to clearly identify risks which may seriously threaten your company (or may lead to a catastrophic scenario). You list the kinds of risks your company is exposed to. You analyze and evaluate those risks, and select risks which your company needs to take measures with 'high priority'. You also need to analyze and estimate to what extent your critical resources may be damaged by such risks, and how long it will take to restore such damaged resources. You compare the estimated restoration period

with your company's Recovery Time Objective (RTO), set in Step 2, and determine which resources are critical to avoid catastrophic scenarios.

The resources which need attention include those where the restoration period exceeds the RTO and those that do not exceed it. If essential services such as electricity, water, phone etc, take a longer period for the service to be restored than your RTO, you may need to reconsider your RTO and wait until such resources and services become available.

Step 5

Do Not Forget Pre- Disaster Protection and Mitigation

To successfully resume operations as planned, the damage to the supporting resources should be contained, to the extent that early repair and restoration would be possible.

If such important resources sustain very severe damage, your company may fall into a disaster scenario, and be forced to give up the recovery effort, or shut down for a long period of time. This would be the end of the business, and therefore, the story! This is why pre-incident strategies of protection and mitigation are very important.

Step 6

Emergency Response to Disaster

In Step 6, you consider immediate necessary responses to take, when the incident occurs, to prevent the emergency situation from becoming an uncontrollable crisis. It is called emergency response or incident response. The first priority of emergency response is to protect and rescue people. Stabilization, to remove harm and secure premises, ensure safety and security of yourself, staff and customers, protection of assets, and prevention of further damage. The potential for secondary disasters should also be considered.

First, you should understand the general picture of emergency response. As shown in Figure 6-1, there are a series of necessary activities in an

emergency response. These activities have to be carried out, following necessary timelines and without delay. “1) Evacuation and rescue” should start immediately by individual people when an incident occurs. Emergency Operation Center (EOC) should be called, if necessary, to take coordinated measures under unified command in your company. The activities of 3) ~ 8) are performed by the emergency operation center, if it is set up.

The main necessary activities are 1) Evacuation and rescue 2) Setting up Emergency Operation Center, 3) Safety Confirmation of employees 4) Stabilising the situation and prevention of secondary damage 5) Survey of damage 6) Assets protection 7) Safety confirmation of employees' commuting 8) Gathering and sharing information of incident/damage.

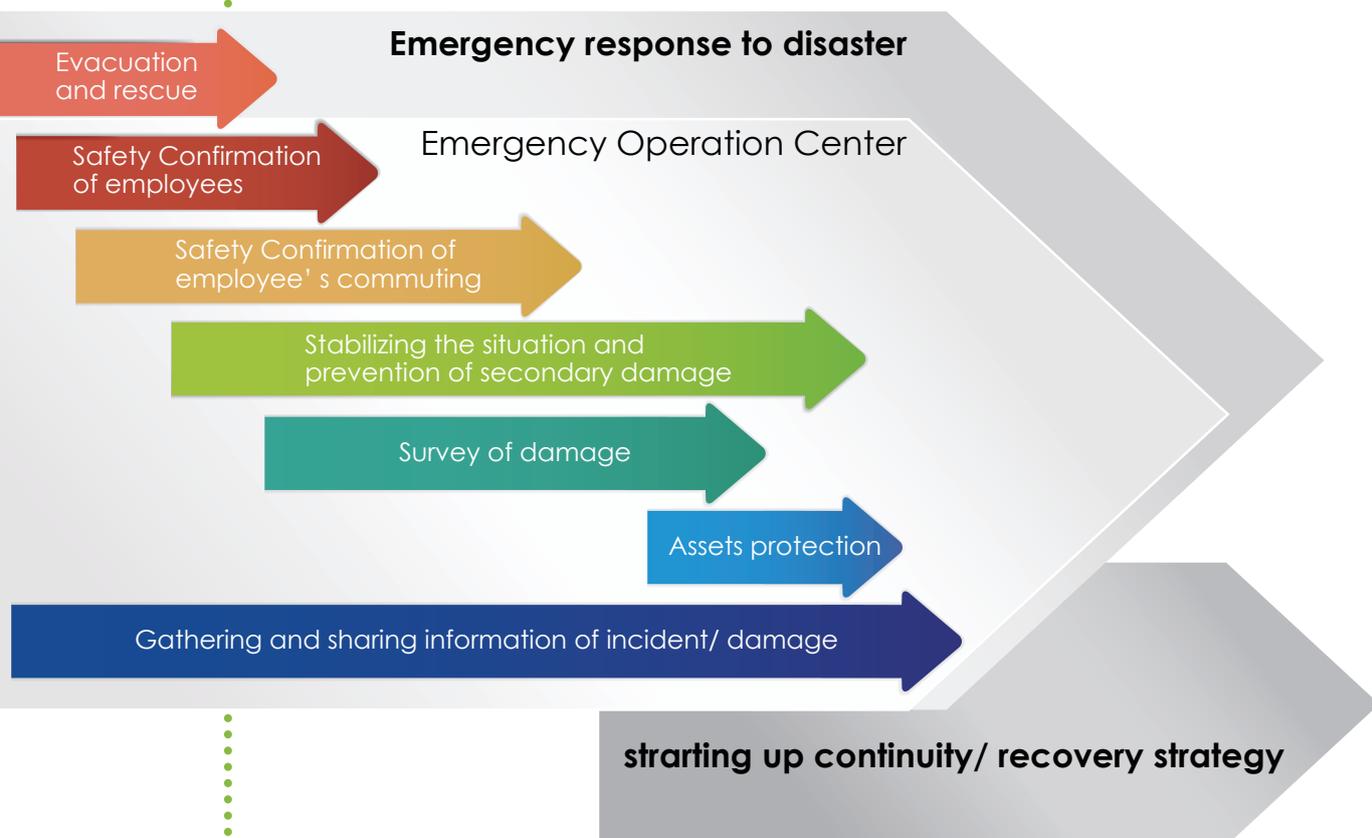


Figure 6-1 Emergency response to disaster

**Step
7**

BC Strategies to Early Resumption

In Step 7, you develop your company's Business Continuity Strategy (BC Strategies) for resumption of Prioritized Activities within Recovery Time Objectives. You need to identify and prepare the internal and external supporting resources that are necessary to resume those activities.

There are key concepts for planning your BC Strategies that you need to consider to resume Prioritized Activities. In considering the concepts of BC Strategies, you are going to make plans for your own BC Strategies to achieve RTO of PAs.

Strategy 1:

Resume PA at the damaged/affected site

Strategy 2:

Resume PA at an alternative site (either in-house or external facility)

Strategy 3:

Resume PA by alternative methods (or workaround methods)

Your BC Strategies might be a combination of the above three strategies.

In the very early stage of your recovery planning, you have to decide where your company will restart critical operations (or PA). One strategy is to resume at the damaged or affected site, another is to resume at an alternative site. Both strategies are necessary. Your company should be prepared for a scenario when the main facility, such as, headquarter building or main factory are not usable. For SMEs that have limited resources, it might be very hard to prepare an alternative site. SMEs may only have one option to prepare a BC Strategy - to restore damage and recover at the affected site. You should remember that your company will be defenseless if your key facility is damaged to the extent that it becomes unusable. In the mid to long term, you should consider how to deal with this challenge. This process is not simply a paper exercise. The owner and/or senior management has to make business decisions as to how and where to recover prioritized activities from the disruption.

Let's start with BC Strategy to resume at the damaged/affected site.

Strategy 1:

You have to restore the damaged resources. The buildings and equipment/machinery may be damaged, and assistance by external construction company and machinery experts may be necessary. Essential services such as electricity, gas and water are necessary to resume disrupted operations. Recovery of such essential services to your company may become the key to your company resuming operations. Therefore, you should estimate how soon those public companies are able to resume services. You may need to review your BC Strategy based on essential service restoration periods.

The next strategy is to resume at an alternative site.

Strategy 2:

You need to consider the location of the alternative site, and see if it is sufficiently distant from the current site and therefore is less likely to have been impacted/damaged by the same disaster. You should make sure that the essential services your company needs, are not be affected and will be available. This strategy requires that all necessary resources, for example, building, equipment and machinery are available at this site. You also need to consider how to transfer the workforce, and that supplies of materials and parts are transported to this site. It will be important that you have built relationships with your suppliers, as you will need to find other sources of assistance and seek also corporation from external partners.

This Strategy is to resume PA by the alternative method.



Strategy 3:

This strategy can be used in Strategy 1: damaged site recovery and strategy 2: alternative site recovery. For example, old reserve equipment is used to replace the damaged, newer equipment. Manual work by human hand replaces disrupted IT systems. Your company selects what alternative methods that fit your company's operations. You also need to identify what kind of assistance is necessary from external partners.

External business partners can have significant impact on your business operations and BC Strategies. You cannot control your business partners. Therefore, what can you do with external partners in your BC Strategies? This will depend on your business relationships, but here some measures you can take to help mitigate the risk. First of all, you can check their preparedness levels in disaster management and BCP. Are they supportive of these matters or not interested at all? If they are interested, it is recommended to exchange what you and your partners have been doing in disaster management and BCP. It would be more desirable that you and your partners have periodical meetings and plan joint meetings or exercises.

Step 8

Be Financially Prepared

Can you survive financially if your operation is disrupted for one or two months? The objective of Step 8 is to recognize the financial conditions of your company in case of an emergency, and to prepare appropriate measures in advance, to avoid bankruptcy even if income is suspended.

If your company's operation is suspended, your company will lose revenue but still be required to pay ordinary expenditure such as, payroll and rent. And if your facilities are damaged, you will need cost recovery of your damaged facilities. What you need to do in Step 8, is to estimate how much

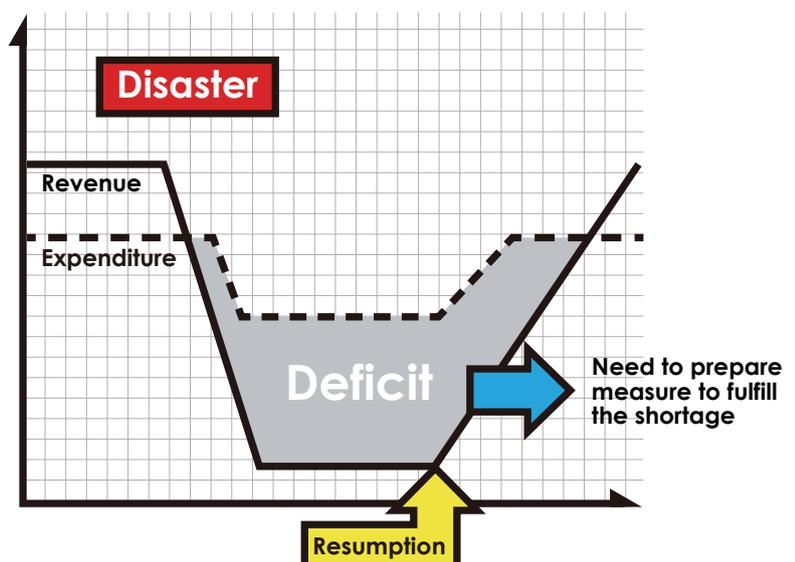


Figure 8-1 Deficit Occurs After Disaster

money will be needed if your company sustains damage by a disaster; and consider measures that could be taken to fulfill any shortage. Key factors to consider in your financial analysis include.

- Understand how much revenue will decrease due to business disruption.
- Estimate how much the recovery costs will be to resume your business operations.
- Recognize how much ordinary expenditure will be incurred during disruption.
- Calculate the level of funds needed to fulfill the shortage.

Note: It is recommended that a company should reserve cash and deposits equivalent to its one-month revenue.

Step 9

Exercise Makes Your Plan Functional

In Step 5, 6 and 7 your company has made various plans of BC Strategies. Below are questions related to some of those plans.

How confident can you answer "Yes " to the following questions?

- Can all employees (and customers) evacuate promptly and safely, following your evacuation plan?
- Can all employees call your emergency phone number to report safety confirmation?
- Can EOC members gather properly and immediately at the meeting place and undertake their designated role?

Planning and executing plans are different tasks. Your company's Business Continuity Plans should effectively work in the case of an emergency as planned. The purpose of Exercise is to ensure that your company's plans work effectively and achieve its objectives. Exercise is intended to not only test its performance, but also to empower employees and provide them with education and training to enhance their knowledge and expertise.

Some examples of the main exercises are listed below.

- Evacuation Drill: test and practice safe and prompt evacuation to the designated location.
- Safety Confirmation Exercise: test and practice employees' emergency calls and safety confirmation.
- Launching EOC Exercise: test and practice starting up EOC launch and conducting designated roles by EOC members.
- Backup Data Recovery Exercise: test and practice recovery by backing up data.
- Re-starting Operation Exercise: test and practice resuming operations after disruption.
- Launching Alternative Site Exercise: test and practice starting up operations at an alternative site.



Step
10Ongoing Review and
Improvement

PDCA- Continuous Improvement

Business Continuity Management is your company-wide activities to establish capability to resume critical operations (Prioritized Activities) after disruption caused by an incident. It is not easy to establish such capability in a short period of time but it is essential to continuously improve and enhance your capability like ascending spiral staircase. It is highly recommended that you utilize the PDCA Cycle (Plan, Do, Check, Action) Model for your company's continuous improvement of BCM.

You have already gone through the first two phases (Plan and Do) of four phases. In Step 10, you finish the remaining Check (monitor and review) and Act (Maintain and improve) phases.

(1) Review and Check your BCP

To make your company's BCP most effective, you should monitor and review your company's BCP activities. Your entire BCP activities- before, during and after an incident - should be reviewed.

You should ask the following questions for the review of each step.

- Are BC activities (which have been decided and planned) effectively done?
- Are there any tasks and problems for improvement?
- Are there any changes to internal and external circumstances which are needed to be considered?
- Are there any areas or items which were not included in your BCP, but should be included?

This review and check process should be conducted periodically, at least once per year.

If there is any business environmental change in your company such as, change of partner companies (suppliers or vendors), core business operations (products or services), IT system or M & A, location changes etc., you should pay attention to possible effects of these changes. These factors may have not been considered or may have been omitted in your reviews, and therefore, you may need to reconsider and make the necessary changes to your BCP activities. It is important to periodically review and not miss the opportunity to update your BCP. These internal reviews are usually done by BCP teams, lead departments and internal audit departments.

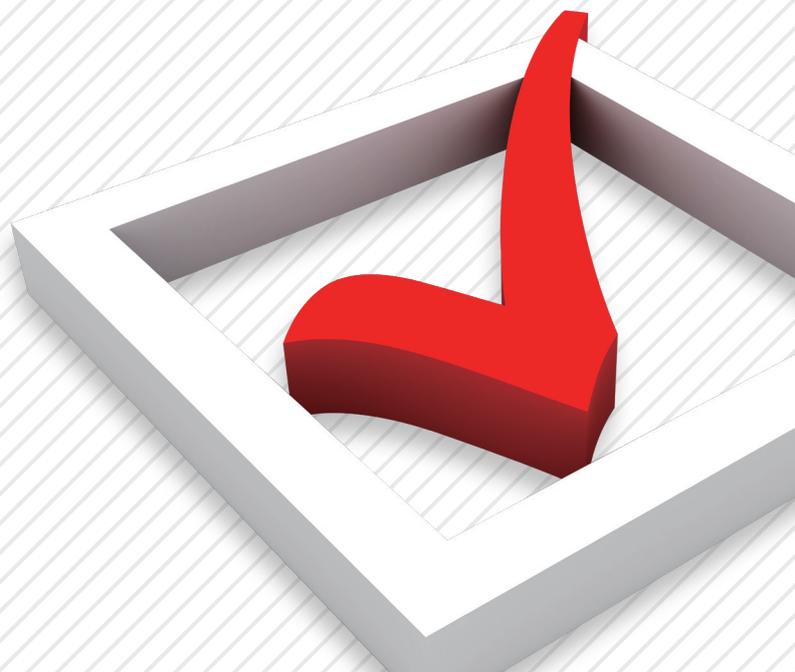
(2) Management Review

In addition to the above Review and Check processes, senior management have to proactively initiate a review of the company's BCP at least annually, and ensure that your company's BCP has been managed effectively and the PDCA cycle is working. It should be understood that management review works as strong drive to circle PDCA cycle.



BCP Checklist

No.	Question	Steps	Answer		
			No	Yes-Partially	Yes Done
1	Has a BCM Manager been appointed and has a budget for BCM activities been allocated?	1	0	2	4
2	Are the BCM purpose, scope and leader well known throughout your company?	1	0	2	4
3	Does upper management take a visible leadership role in BCM activities and show its commitment to BCM to employees?	1	0	2	4
4	Does your company understand what the impacts would be if the company's operations were to be disrupted for one week? One month?	2	0	2	4
5	Does your company understand how soon it would have to resume operations after a disruption to avoid severe impacts that would threaten the company's survival?	2	0	2	4
6	Has your company identified which businesses should be given top priority for the recovery and resumption of operations?	2	0	2	4
7	Has your company identified important internal resources or outside essential services that might create a bottleneck for business resumption efforts?	3	0	2	4
8	Has your company already identified necessary materials or parts which are supplied by a single supplier?	3	0	2	4



9	Has your company researched the disaster history or risk information (such as hazard maps) that have been published by your local government or other organization?	4	0	2	4
10	Is your company able to withstand the type of natural disaster (with extensive impacts) that has a higher probability of occurring than other disasters?	4	0	2	4
11	Has your company identified which necessary resources might sustain severe damage as a result of the natural disaster identified above (question 10), thus becoming an obstacle for early business resumption?	4	0	2	4
12	Has your company planned and implemented pre-disaster protection (prevention) and mitigation measures to protect the safety and welfare of your employees from expected disasters?	5	0	2	4
13	Has your company planned and implemented pre-disaster protection (prevention) and mitigation measures to protect your company's assets from disasters (earthquake, floods, typhoons) and accidents?	5	0	2	4
14	Has your company prepared an emergency contact list of employees?	6	0	2	4
15	Has your company decided on the framework for an Emergency Operation Center, such as where to gather, what members are to be called, and the criteria for mobilization?	6	0	2	4
16	Has your company made a contact list of customers, business partners, and authorities?	6	0	2	4
17	Does your company periodically backup its data?	7	0	2	4
18	Does your company have an alternate site in place in case its headquarters or main business location is shut down?	7	0	2	4
19	Does your company have alternative or temporary measures in place to replace main equipment (or other resources) in case primary equipment becomes unusable?	7	0	2	4
20	Does your company know the disaster management and business continuity status of suppliers that supply its essential materials and parts?	7	0	2	4
21	Do you know how much funding you would be short of if your company's operations were to be totally disrupted for one month?	8	0	2	4
22	Have you checked what kinds of disaster support programs are available through your local government or other public organizations?	8	0	2	4

23	Have you set aside a cash reserve equal to one month of revenue for disasters?	8	0	2	4
24	Does your company conduct periodic evacuation drills?	9	0	2	4
25	Does your company conduct exercises to test that data can be safely recovered from backup systems?	9	0	2	4
26	Does your company conduct exercises to practice mobilizing the Emergency Operation Center?	9	0	2	4
27	Does your company periodically review its disaster management and business continuity plans and implement improvement measures if necessary?	10	0	2	4
28	Does upper management proactively engage in the periodic review of BCM activities?	10	0	2	4
Total Score					

Your BCM Status Level	Your Total Score
Your company is defenseless against disasters and accidents. If a disaster strikes, your company is very likely to sustain severe damage which may cause long-term disruption. Your company needs to know the risks that threaten it and to start considering what can be done to minimize the potential damage that might be caused by such risks.	0 - 36
Your company is aware of the risks to which it is exposed and has taken some necessary preparatory measures. However, the expected results of those measures may be limited. Your company is still exposed to severe damage because of the weakness of your BCM activities. Be sure to prioritize BCM activities to make your BCM more effective.	37 -74
Your company has almost established BCM and has implemented measures that would probably be effective if the risks are within your estimates. Continue following the PDCA cycle in your BCM activities to enhance your business continuity preparedness and ensure that you will be able to respond effectively to an unexpected incident or disaster.	75 - 112

Note



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