How to widely and deeply foster business continuity plans for SMEs in the APEC region

30th January 2015

Mitsubishi Corporation Insurance Co., Ltd.
Asian Disaster Reduction Center (ADRC)
Takahiro ONO
APEC produces a wide range of publications, focusing on various aspects of its work. Most publications may be downloaded free of charge while printed copies and CD-ROMs are available for purchase.
APEC Survey in 2011/2012

Year 2011: 272 responses from 18 economies
Year 2012: 323 responses from 15 economies
Total: 595 responses from 18 economies

http://publications.apec.org/publication-detail.php?pub_id=1234
**Potential Threats differ among Economies**

<table>
<thead>
<tr>
<th>Country</th>
<th>Earthquake</th>
<th>Tsunami</th>
<th>Hurricane / Wind storm</th>
<th>Flood</th>
<th>Snow</th>
<th>Fire</th>
<th>Wild fire</th>
<th>Volcano eruption</th>
<th>Drought</th>
<th>Insect Infestation</th>
<th>Pandemic / Epidemic</th>
<th>Blackout</th>
<th>Terrorism</th>
<th>Nuclear</th>
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<td>12</td>
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<td>3</td>
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<td>5</td>
<td>7</td>
<td>12</td>
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<td>New Zealand</td>
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<td>3</td>
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<td>43</td>
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<td>22</td>
<td>70</td>
<td>36</td>
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<td>4</td>
<td>12</td>
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<td>Chinese Taipei</td>
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<td>USA</td>
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<td>Viet Nam</td>
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<td>0</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>
Q: Do you have a Business Continuity Plan?

- **Yes, 136, 23%**
- **In progress, 77, 13%**
- **Don't know about BCP, 221, 37%**
- **No, 160, 27%**

**SMEs**
- Employee 299 less
- **Yes, 51, 13%**
- **In progress, 32, 8%**
- **Don't know about BCP, 192, 47%**
- **No, 129, 32%**

**Employee 300 more**
- **Yes, 85, 45%**
- **In progress, 43, 23%**
- **Don't know about BCP, 29, 15%**
- **No, 31, 17%**
BCP Development Status

Q: Do you have a Business Continuity Plan?

Q: Has your company ever been seriously disrupted by a disaster?

<table>
<thead>
<tr>
<th>Large Companies</th>
<th>SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES 29.6%</td>
<td>YES 24%</td>
</tr>
</tbody>
</table>

- Don't know about BCP, 40, 23%
- No, 54, 31%
- In progress, 22, 12%
- Yes, 59, 34%

- Don't know about BCP, 33, 34%
- No, 41, 42%
- In progress, 9, 9%
- Yes, 15, 15%

- Don't know about BCP, 181, ...
- No, 106, 25%
- In progress, 55, 13%
- Yes, 77, 19%

- Don't know about BCP, 159, 52%
- No, 88, 28%
- In progress, 25, 8%
- Yes, 36, 12%

NO 70.4%

NO 76%
Q: What are the reasons or trigger events that motivated your company to develop a BCP?

- For good business practice: 53
- For risk management of your company: 58
- From the disaster experience of your...: 15
- Legal requirement: 14
- Customers’ requirement: 19
- Share holders’ requirement: 5
- Bank/creditor’s requirement: 5
- Parent company or holding’s...: 7

Only for SMEs
Q: How did your company build a BCP?

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refer to general guidelines published by central/local government</td>
<td>26</td>
</tr>
<tr>
<td>Refer to Sector specific guidelines published by each industrial association</td>
<td>18</td>
</tr>
<tr>
<td>Refer to guidelines of BCP standards, e.g. BS25999, NFPA1600, etc.</td>
<td>15</td>
</tr>
<tr>
<td>Refer to text books</td>
<td>12</td>
</tr>
<tr>
<td>Advised from consultants</td>
<td>23</td>
</tr>
</tbody>
</table>
Obstacles to Preparing a Business Continuity Plan

Q: What are the obstacles for building BCP or what was the reason for not building BCP?

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management’s awareness is low</td>
<td>48</td>
</tr>
<tr>
<td>Employee’s awareness is low</td>
<td>45</td>
</tr>
<tr>
<td>Difficulties coordinating within the company</td>
<td>24</td>
</tr>
<tr>
<td>Lack of information for building BCP</td>
<td>59</td>
</tr>
<tr>
<td>Lack of human resources</td>
<td>46</td>
</tr>
<tr>
<td>Lack of company BCP knowledge and expertise</td>
<td>67</td>
</tr>
<tr>
<td>Lack of budget</td>
<td>45</td>
</tr>
<tr>
<td>No need for written plan</td>
<td>29</td>
</tr>
</tbody>
</table>
Public Support for Business Continuity Planning

Q: Which public support system has your company ever used?

- Funding support: 13
- Providing disaster information: 12
- Training support: 13
- Providing toolkit: 12
- Sending experts: 7
Key Suggestions from the Survey

- Raise public awareness of BCPs especially among SMEs and fill up the gap
  - Requirement (Legal, Stakeholder, Customer, Bank)
  - Government Campaign
  - Incentives

- Remove obstacles to BCP development
  - Guidebook / Guideline
  - Funding Support (Consultants, Structural Measures)
  - Train of Trainers

- Expand effective public support systems and resources available to SMEs
  - Maturity level of BCP diffusion
Disaster Response to Business Continuity

Before ——— Immediate ——— Short Term ——— Long Term ——>
◆ Mitigation ◆ Emergency Response ◆ Recovery ◆ Back to Normal
◆ Prevention ◆ Initial Response ◆ Business Continuity ◆

Ensure Human Safety
Ensure Protection of Assets
Cooperate with Responding Agencies

Ensure continuity of operations / services
Restart operations quickly within “RTO”
Recovery Time Objective

Minimize Economical Loss
Win Confidences
Win Competitiveness
## Japan’s Case Economical Loss Estimate

<table>
<thead>
<tr>
<th></th>
<th>Tokyo Metro Inland Earthquake??</th>
<th>Kobe Earthquake 1995</th>
<th>Great Eastern Japan Earthquake 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dead Missing</strong></td>
<td>11,000</td>
<td>6,437</td>
<td>20,000</td>
</tr>
<tr>
<td>(Tsunami)</td>
<td>0%</td>
<td>0%</td>
<td>90%</td>
</tr>
<tr>
<td>(Fire)</td>
<td>56%</td>
<td>12%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Injury</strong></td>
<td>210,000</td>
<td>43,700</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Building Collapse</strong></td>
<td>195,000</td>
<td>104,906</td>
<td>5,714</td>
</tr>
<tr>
<td><strong>Building Burn out</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Economic Loss</strong></td>
<td>112 T Yen</td>
<td>70 T Yen USD 1.2 T</td>
<td>16.9 T Yen USD 190 B</td>
</tr>
<tr>
<td>Building House Factory</td>
<td>55.2</td>
<td>6.3</td>
<td>10.4</td>
</tr>
<tr>
<td>Machinery Stock</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lifeline: Water, Electricity, Gas, Tele com</td>
<td>0.6</td>
<td>1.3</td>
<td>1.3</td>
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<tr>
<td>Infra: Road, River, Port, Airport, Rail</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
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<tr>
<td>Facility for Agriculture and Fishery</td>
<td>0</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Public facility Hospital, School</td>
<td>0.5</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Direct Loss</strong></td>
<td>66.6 T Yen</td>
<td>9.6 T Yen</td>
<td>16.9 T Yen</td>
</tr>
<tr>
<td><strong>Indirect Loss</strong></td>
<td>45.2 T Yen</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Government Strategy 2005-2020

◆ Reduce the number of death and economic damage

✓ Number of death: 11,000 → 5,600
  • Earthquake resistant houses and buildings 75% → 90%
  • Fix household furniture 30% → 60%
  • Improve initial fire extinguish ratio 72% → 96%

✓ Economic damage: 112 trillion yen → 70 trillion yen
  • Recovery cost reduction >>> Promote retrofitting
  • Raise Business Continuity Planning adoption ratio
    Large scale 18.9%(2007) → 100%
    Medium scale 12.4%(2007) → 50%
  • Measures for restoring transportation networks quickly
    Reduce the debris which interrupt transportation
Government Strategy on Business Continuity

To Raise Business Continuity Planning adoption ratio
- Large scale 18.9%(2007) → 100%
- Medium scale 12.4%(2007) → 50%

Cabinet Office published several guidelines
- “BC Guideline (2005)“
- “BC(Operational Continuity) Guidelines for Ministry and Agency (2007)“
- “BC (OC) Guidelines for local government(2010)“

Disaster Countermeasures Basic Act 1961
- National Level : Ministry and Agency → Disaster Management Plan
- Local Level : Prefecture, City → Local Disaster Management Plan
- Public Infrastructure → Disaster Management Operation Plan
- Private Company → Disaster Management Plan
Yokohama City Case

Develop and Disclose their BCPs

Guidelines for the Private Sector in the Region
The Tokyo Chamber of Commerce & Industry

✓ Series of Planning Seminar (Every year)
✓ BCP Brochure (2012)

http://www.tokyo-cci.or.jp/english/our_main_missions_and_commitments/business_support/
Current Status of BCP Adoption in Japan

Large Scale

- 2011
  - Already Have BCP: 45.8%
  - Now Building BCP: 26.5%
  - Have a Plan to Build BCP: 21.3%
  - No Plan to Build BCP: 5.7%
  - Do Not know about BCP: 0%

- 2009
  - Already Have BCP: 27.6%
  - Now Building BCP: 30.8%
  - Have a Plan to Build BCP: 16.9%
  - No Plan to Build BCP: 11.1%
  - Do Not know about BCP: 12%

- 2007
  - Already Have BCP: 18.9%
  - Now Building BCP: 16.4%
  - Have a Plan to Build BCP: 29.1%
  - No Plan to Build BCP: 12.7%
  - Do Not know about BCP: 22.7%

Medium Scale

- 2011
  - Already Have BCP: 20.8%
  - Now Building BCP: 14.9%
  - Have a Plan to Build BCP: 30.7%
  - No Plan to Build BCP: 19.7%
  - Do Not know about BCP: 13.3%

- 2009
  - Already Have BCP: 12.6%
  - Now Building BCP: 14.6%
  - Have a Plan to Build BCP: 15%
  - No Plan to Build BCP: 10.3%
  - Do Not know about BCP: 45.3%

- 2007
  - Already Have BCP: 12.4%
  - Now Building BCP: 3.4%
  - Have a Plan to Build BCP: 12.8%
  - No Plan to Build BCP: 8.8%
  - Do Not know about BCP: 61.2%
Great East Japan Earthquake and Tsunami

Date and Time:
11 March 2011 at 14:46 JST (5:46 GMT)

Type of earthquake:
Plate-boundary thrust-faulting earthquake on or near the Japan Trench subduction zone

Hypocenter:
130km off the Pacific coast of Tohoku region (38° N, 142° E), 24km depth

Magnitude:
9.0 (interim value, the largest in Japan and the 4th largest in the world) c.f. 2004 Sumatra Earthquake M9.1
Dysfunction of Public Services

237 out of 352 local governments lost function
- Emergency response activity
- Supply of relief goods
- Missing of Resident Registered Data
Emergency recovery operation of Tohoku Expressway
Contributed delivery and supply of goods
This quick recovery has been accomplished from private sector’s efforts (construction).
Private Sector’s Role to avoid Regional Disruption

◆ **Ordinary Time**: Secure Employment and Support Local Economies for Regional Sustainability.

◆ **Disaster Emergency Time**: Become more Important (Mitigate, Response, Recovery and Reconstruction)

- **Response**: Provide evacuation shelters and relief goods
- **Recovery**: Provide labor and services for the quick recovery of social functions
- **Reconstruction**: Secure employment and livelihoods of affected victims

Resilient and Sustainable Civil Society

Disaster-resilient

Private Sector

Public-Private Partnerships

Disaster-resilient

Public Sector

Public Sector support

Private Sector’s support
After March 11, 337 private companies went bankrupt within six months. Only 46 companies were located in the tsunami-affected area, while the other 291 were located all over Japan (all SMEs).

The reason for the 291 companies’ bankruptcies was the “indirect loss or damage” caused by the disruption in their supply chain.


Transition of Automobile Production

Lessons Learned / Private Sectors

1. More effective emergency response HQ functions
2. More multiple safety confirmation system on employees
3. Continue practical disaster simulation drills
4. More awareness and capacity building of disaster prevention
5. Securing appropriate stockpiles
6. Accelerate earthquake retro fitting and fixing furniture
7. Securing liquidity funds and reconstruction funds
8. Collaborative execution of BCP with suppliers and vendors
9. Consider the issue for employees unable to go home
10. Collaborative work with local governments and communities
11. Prepare secondary power supply- in-house power generator

Before ——— During ——— Short After —— Long After
◆Mitigation & Prevention ◆Emergency Initial Response ◆Recovery & Continuity ◆Back to Normal

Japan Business Federation Keidanren
Remove Obstacles

◆ Normal time:
  • Enhance collaborative work among regional players
  • Maintain legislative framework to push private sectors’ disaster prevention measures.

◆ Disaster time:
  • Quickly change the operations for flexible enforcement of regulations

Gasoline by truck - rules on load capacity, storage places, parking time, etc.
Relief supplies - gaining quicker and easier passage permission in restricted transportation areas.
Supply shortage of product labels – consume indication labels on food sanitation safety rules
Working hours - labor law prohibit overnight working
Information sharing of victims - protection of personal information
Pre agreement in the industries - Antitrust law, Competition law
Key Suggestions from the Survey

- **Raise public awareness of BCPs especially among SMEs and fill up the gap**
  - Requirement (Legal, Stakeholder, Customer, Bank)
  - Government Campaign
  - Incentives

- **Remove obstacles to BCP development**
  - Guidebook / Guideline
  - Funding Support (Consultants, Structural Measures)
  - Train of Trainers

- **Expand effective public support systems and resources available to SMEs**
  - Maturity level of BCP diffusion
How to develop BCP and implement BCM

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Determine BCP Purpose, Scope and Team</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 2</td>
<td>Prioritized Activities and Recovery Time Objective</td>
</tr>
<tr>
<td>Step 3</td>
<td>What Do You Need to Resume Key Activities?</td>
</tr>
<tr>
<td>Step 4</td>
<td>Risk Assessment- Know Your Disaster Scenarios</td>
</tr>
<tr>
<td>Step 5</td>
<td>Do Not Forget Pre-Disaster Protection and Mitigation</td>
</tr>
<tr>
<td>Step 6</td>
<td>Emergency Response to Disaster</td>
</tr>
<tr>
<td>Step 7</td>
<td>BC Strategies to Early Resumption</td>
</tr>
<tr>
<td>Step 8</td>
<td>Be Financially Prepared</td>
</tr>
<tr>
<td>Step 9</td>
<td>Exercise Makes Your Plan Functional</td>
</tr>
<tr>
<td>Step 10</td>
<td>Ongoing Review and Improvement</td>
</tr>
</tbody>
</table>

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Thank you for your attention

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