

# **BUSINESS CONTINUITY PLANNING STATUS OF THE PRIVATE SECTOR AND DRR CAPACITY OF THE PUBLIC SECTOR IN THE ASIA PACIFIC**

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## **Keywords**

BCP, BCM, Supply Chain, APEC, HFA

## **Abstract**

In recent decades, Asia Pacific supply chains have become so intertwined that a single disaster in one economy or country cause severe economic disruptions throughout the region. As a result, the 2011 Asia Pacific Economic Cooperation (APEC) decided to encourage their private sectors to adopt Business Continuity Planning (BCP) to increase their disaster resiliency. As a first step, APEC conducted an online survey in 2011 to determine the extent of BCP adoption by the private sectors of its 21 member economies.

At an international level, the 2005 World Conference on Disaster Reduction held by the United Nations International Strategy for Disaster Reduction (UNISDR) adopted the Hyogo Framework for Action 2005-2015 (HFA). The HFA is a strategic and systematic approach to reducing economies' vulnerabilities to disasters and building their disaster resiliency. The HFA Monitoring and Progress Review process monitors, evaluates and reports on the implementation of disaster risk reduction measures at the national, regional and global levels.

This paper considers correlations between the 2011-2012 survey on the status of Business Continuity Planning in APEC economies and the results of the UNISDR's evaluation of HFA implementation among APEC economies in 2007, 2009 and 2011.

## **Introduction**

Asia Pacific Economic Cooperation (APEC) account for around half of the world's GDP. Since the supply chains are closely intertwined and a single disaster would affect economic activities in the entire region, Asia Pacific Economic Cooperation(APEC) needs to strengthen the private sector's capacity for disaster preparedness and recovery by promoting Business Continuity Planning (BCP) among APEC member economies. Therefore in 2011 APEC conducted a regional survey to better understand the status of BCP adoption in their private sectors among APEC economies.

The importance of disaster risk reduction is also recognized on an international level. The Hyogo Framework for Action (HFA) is the plan to explain and detail the situation that is required from all the different sectors and actors to effectively reduce disaster losses by using

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common evaluation system and language introduced and managed by The United Nations International Strategy for Disaster Reduction (UNISDR).

This paper examines the disaster risk reduction (DRR) capacity levels of APEC members' national and local governments as indicated by HFA monitoring standards, the status of BCP adoption among APEC economies, and the level of BCP awareness in their respective private sectors.

### **Hyogo Framework for Action**

The United Nations International Strategy for Disaster Reduction (UNISDR) created a systematic mechanism to monitor progress and level of disaster risk reduction (DRR) according to the Hyogo Framework for Action (HFA) 2005-2015 adopted at the World Conference on Disaster Reduction in 2005 Kobe-city Hyogo, Japan. The objective of the HFA is to inform current efforts to reduce disaster risk as well as the planning and development of the post-2015 disaster risk reduction framework by motivating reflection on what has been achieved and consideration of obstacles to further progress guided with three strategic goals.

#### [1] Three Strategic Goals

1. Integrating disaster risk considerations more effectively with sustainable development policies, planning and programming at all levels, emphasizing disaster prevention, mitigation, preparedness and vulnerability reduction;
2. Developing and strengthening institutions, mechanisms and capacities, particularly in communities that can contribute systematically to improving resilience to hazards;
3. Incorporating risk reduction approaches systematically in designing and implementing programs for emergency preparedness, response and recovery, including programs for rebuilding affected communities.

#### [2] Priorities for Action and Core Indicators

Five priorities for action were identified for achieving the three strategic goals supported by core indicators for the implementation of the overall HFA strategy.

- P1. Ensuring that DRR is a national and local priority, with a strong institutional basis
- P2. Identifying, assessing and monitoring disaster risks and enhancing early warning systems
- P3. Using knowledge and education to build a culture of safety and resilience at all levels
- P4. Reducing underlying disaster risk factors, whether social, economic, environmental or land use
- P5. Strengthening disaster preparedness to promote effective response at all levels

And for each priority for action, there are 22 core indicators in total to monitor progress on implementation and identify challenges. (The underlined indicators are critical core indicators explained in the next section)

#### Priority Area 1

P1-C1. National policy and legal frameworks for disaster risk reduction exist and include decentralized responsibilities and capacities at all levels

P1-C2. Dedicated and adequate resources are available to implement disaster risk reduction activities at all administrative levels

P1-C3. Community participation and decentralization are ensured by delegating authority and resources to local levels

P1-C4. A national multi-sectoral platform for disaster risk reduction is functioning

#### Priority 2

P2-C1. National policy and local risk assessments based on hazard data and vulnerability information are available and include risk assessments for key sectors

P2-C2. Systems are in place to monitor, archive and disseminate data on key hazards and vulnerabilities

P2-C3. Early warning systems are in place for all major hazards, with outreach to communities

P2-C4. National and local risk assessments take account of regional/trans-boundary risks, with a view to regional cooperation on risk reduction

#### Priority 3

P3-C1. Relevant information on disasters is available and accessible at all levels, to all stakeholders (through networks, development of information sharing systems, etc.)

P3-C2. School curricula, education material and relevant training include disaster risk reduction and recovery concepts and practices

P3-C3. Research methods and tools for multi-risk assessments and cost-benefit analysis are developed and strengthened

P3-C4. Countrywide public awareness strategy exists to stimulate a culture of disaster resilience, with outreach to urban and rural communities

#### Priority 4

P4-C1. Disaster risk reduction is an integral objective of environment-related policies and plans, including for land use, natural resource management and adaptation to climate change

P4-C2. Social development policies and plans are being implemented to reduce the vulnerability of populations most at risk

P4-C3. Economic and productive sectorial policies and plans have been implemented to reduce the vulnerability of economic activities

P4-C4. Planning and management of human settlements incorporate disaster risk reduction elements, including enforcement of building codes

P4-C5. Disaster risk reduction measures are integrated with post-disaster recovery and rehabilitation processes

P4-C6. Procedures are in place to assess the disaster risk impacts of major development projects, especially infrastructure

#### Priority 5

P5-C1. Strong policy, technical and institutional capacities and mechanisms for disaster risk management, with a disaster risk reduction perspective, are in place

P5-C2. Disaster preparedness plans and contingency plans are in place at all administrative levels, and regular training drills and rehearsals are held to test and develop disaster response programs

P5-C3. Financial reserves and contingency mechanisms are in place to support effective response and recovery when required

P5-C4. Procedures are in place to exchange relevant information during hazard events and disasters, and to undertake post-event reviews

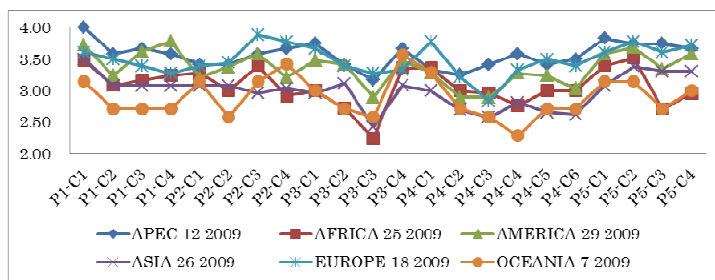
**Analysis on HFA Review**

The HFA Review is an entirely voluntary, self-assessment process evaluated by Disaster Management Agencies designed to promote a multi-stakeholder appraisal of disaster risk and of the measures governments are taking to address that risk, assessing progress in implementing the HFA. It will be measured and evaluated in 5 steps.

This is comparison of area and evaluated points in HFA Review for each core indicators of priority for actions of done in 2007, 2009 and 2011.

Since the Review is done by self evaluation and the criteria may differ by the respondents, the result could not be compared directly. To arrange the appraisal level, the system of peer review or consultation of independent third party organization might be useful.

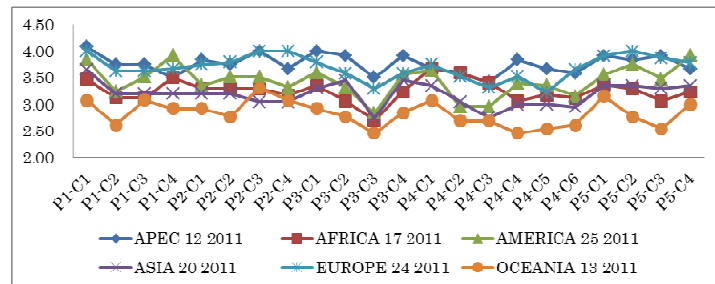
**Chart 1 Regional Comparison 2009**



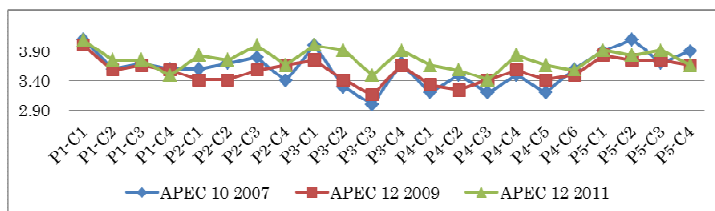
And even in the same area, the respondent countries differ in each of the Review year so that it is not accurate comparison of the same group of countries.

It is apparent from the result that the points of Europe and APEC regions are relatively higher among others.

**Chart 2 Regional Comparison 2011**



**Chart 3 Comparison in APEC Region**



To look into the yearly transition, in almost every region, the points seems improving.

Although the results vary by the region, points for the core indicator P3-C3, P4-C3 and P4-C4 seems low relatively.

[1] Critical Core Indicators for BCP Implementation

From the perspective of promotion of BCPs, the author selected 9 core indicators out of 22 especially critical for organizations to build and implement BCPs.

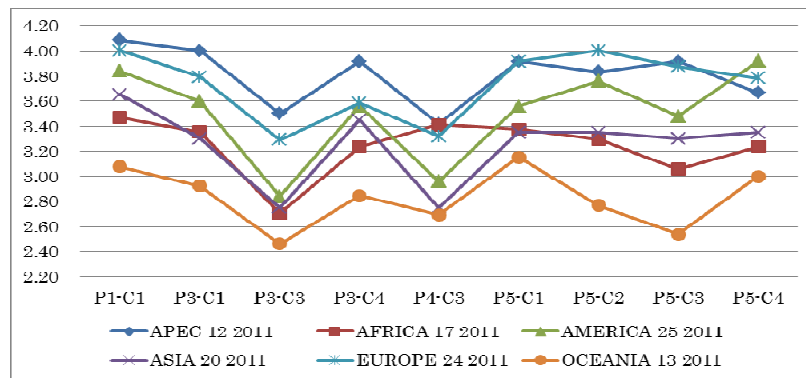
These are P1-C1, P3-C1, P3-C3, P3-C4, P4-C3, P5-C1, P5-C2, P5-C3 and 5-C4.

Chart 4 and Chart 5 are comparison graphs of evaluated points for the 9 important core indicators in APEC and other areas in Review 2011.

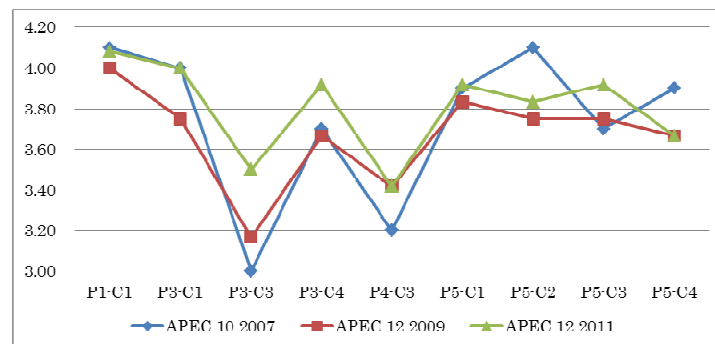
The evaluated points of APEC region are relatively higher than other regions so it is considered that the APEC region has the good political environment to support implementation of organizational BCPs.

It is apparent that the evaluated points for P3C3 and P4C3 are relatively low in APEC and this trend is also similar to the other regions.

**Chart 4 Regional Comparison 2011**



**Chart 5 Comparison in APEC Region**



This Table1 shows the situation of 9 important core indicators in APEC economies which answered in the review 2011 and marking is the points under average points for each member economies.

The level of implementation to the 9 important core indicator in HFA review varies by member economies in APEC region and the marked indicator is considered to be the priority policy actions to be taken to bottom up and arrange environment suitable for organizations to build BCPs.

**Table 1 Critical Core Indicators in APEC Region 2011**

2011	P1-C1	P3-C1	P3-C3	P3-C4	P4-C3	P5-C1	P5-C2	P5-C3	P5-C4	Ave.
Japan	5	5	4	5	4	5	4	4	4	4.4
Korea	5	5	2	4	4	5	4	5	4	4.2
Chile	4	4	4	4	4	4	4	5	4	4.1
New Zealand	4	4	5	4	4	4	4	4	4	4.1
Malaysia	4	4	4	5	4	3	5	4	3	4.0
Australia	4	4	3	4	4	4	4	4	4	3.9
China	4	4	3	4	4	4	4	4	4	3.9
Peru	4	4	4	4	3	4	4	4	3	3.8
USA	4	3	4	4	3	4	4	4	4	3.8
Mexico	4	4	2	3	2	4	4	4	4	3.4
Indonesia	4	4	3	3	3	4	3	3	4	3.4
PNG	3	3	4	3	2	2	2	2	2	2.6
Average	4.1	4.0	3.5	3.9	3.4	3.9	3.8	3.9	3.7	
S/Dev	0.51	0.60	0.90	0.67	0.79	0.79	0.72	0.79	0.65	

**APEC Survey on BCP**

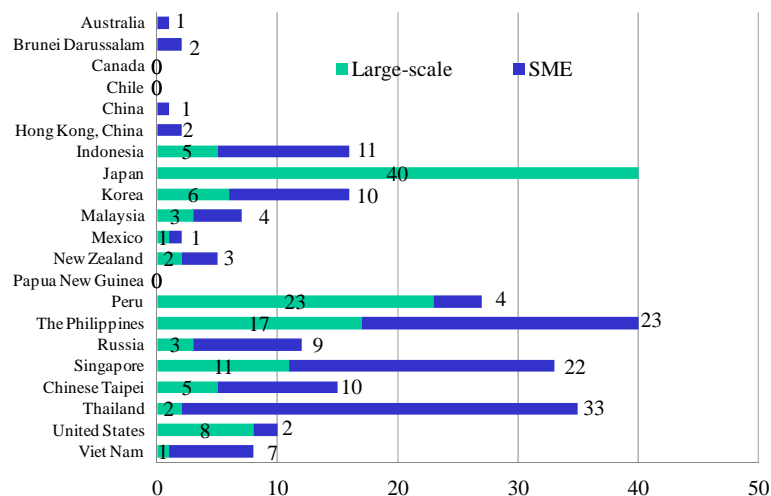
A survey was conducted in 2011 to understand the status of BCP adoption and the level of BCP awareness among private sector participants in the APEC region.

The survey was conducted through web-based online organizations using an English questionnaire and the responses were anonymous and voluntary.

[1] Results

As a result of the survey, 272 responses were received from 18 economies in total. Since the characteristics of participating organizations and member companies differ among economies, the size and industry sector of respondents vary accordingly. Small and medium enterprises (SME) are defined in this survey as companies having under 300 employees.

**Chart 6 Number of respondents by economy**



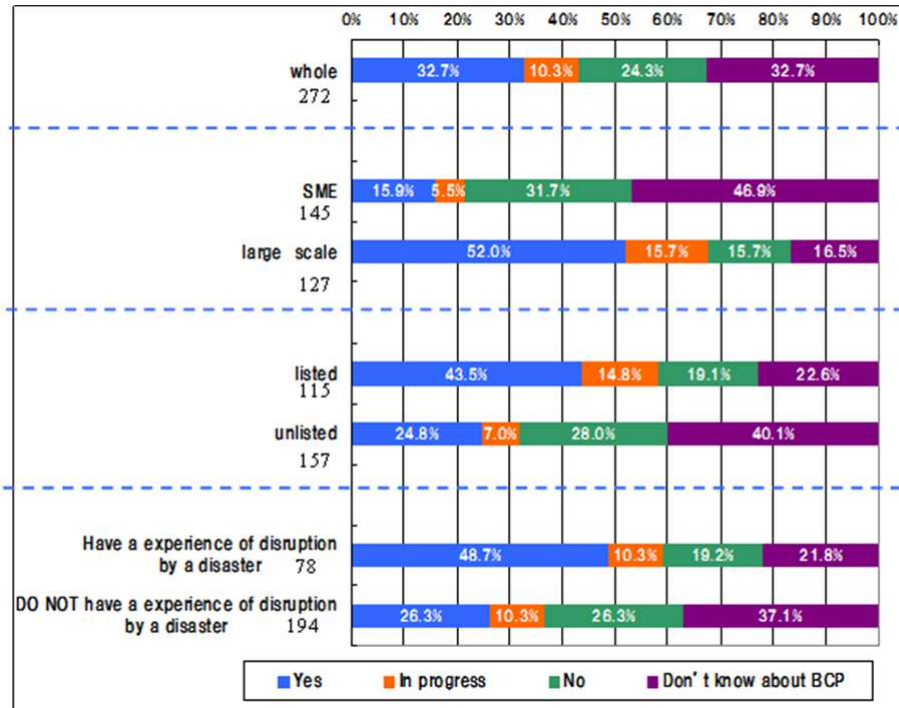
[2] Adoption and Awareness

Among all respondents, 32.7% claim their companies have a written BCP, but 32.7% of respondents are not aware of BCPs. ( See Chart 7)

Responses demonstrated substantial differences in terms of the level of BCP development between SME and large-scale companies, listed and unlisted respondents, and respondents that have actually experienced disruption and respondents that have not. The level of BCP development varies greatly by the size of firm: only 15.9% of SME respondents have a written BCP, while 52.0% of large-scale company respondents have a written BCP. There are also considerable differences between APEC economies. In some economies, such as Japan, Singapore, and the US, the majority of respondents have a written BCP, whereas in

economies such as Malaysia and Viet Nam, more than 50% of respondents do not know about the BCP.

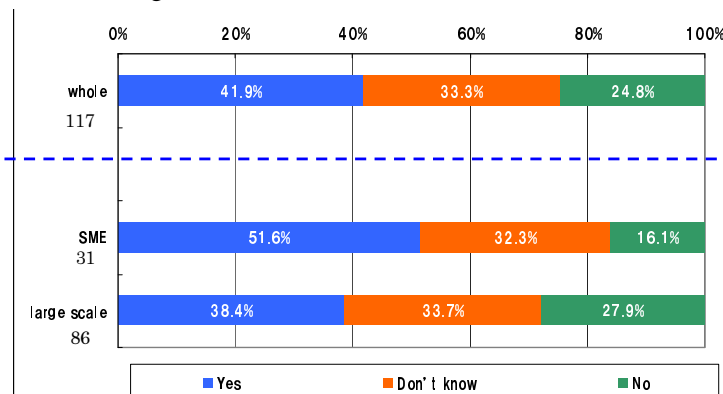
**Chart 7 BCP development status “ Do you have a BCP?”**



[3] Process of BCP Development

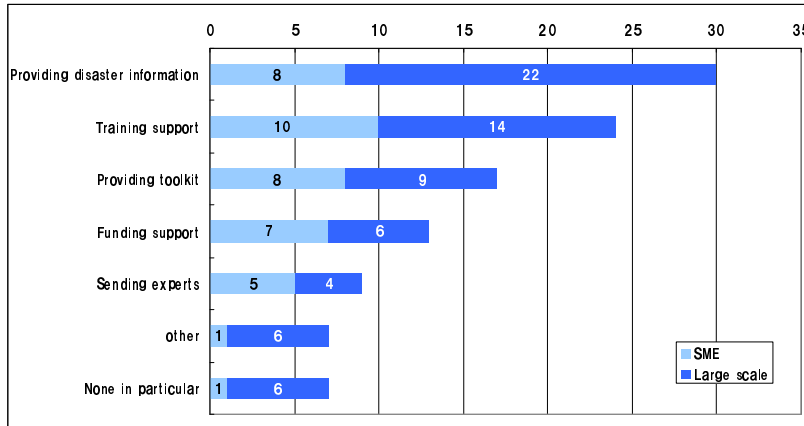
Among all respondents, 41.9% indicated that public organizations have support systems for BCP development. More SME respondents than large-scale respondents indicated this to be the case. This indicates that public support systems are more helpful for SMEs than for large-scale companies. (See Chart 8) The top three types of support perceived as useful by respondents are “providing disaster information (hazard map),” “training support,” and “providing a toolkit,” in descending order. When only SME respondents are focused on, “training support” is ranked at the top. (See Chart 9) The top three obstacles for respondents that do not have written BCPs are “lack of company BCP knowledge and expertise,” “lack of human resources,” and “lack of information needed for BCP development,” in descending order. When large-scale companies are focused on, however, “none in particular” is the top response. (See Chart 10)

**Chart 8 Public support (Does central / local government or emergency management/public safety organizations have public support systems for creating a BCP?)** (single answers, n = 117 (total), 31 (SME), 86 (large-scale) : companies that have or are in the process of creating a written BCP)



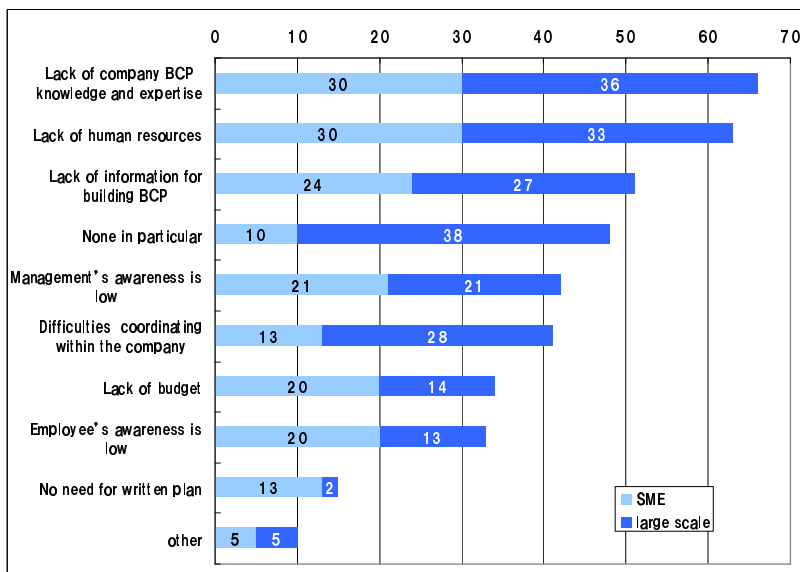
### Chart 9 Useful Public Support Systems

(multiple answers, n = 16 (SME), 33 (large-scale): companies that have or are in the process of creating a written BCP



### Chart 10 Obstacles for building a BCP

(multiple answers, n = 46 (SME), 20 (large-scale): companies that have or are in the process of creating a written BCP)



#### [4] BCP Implementation

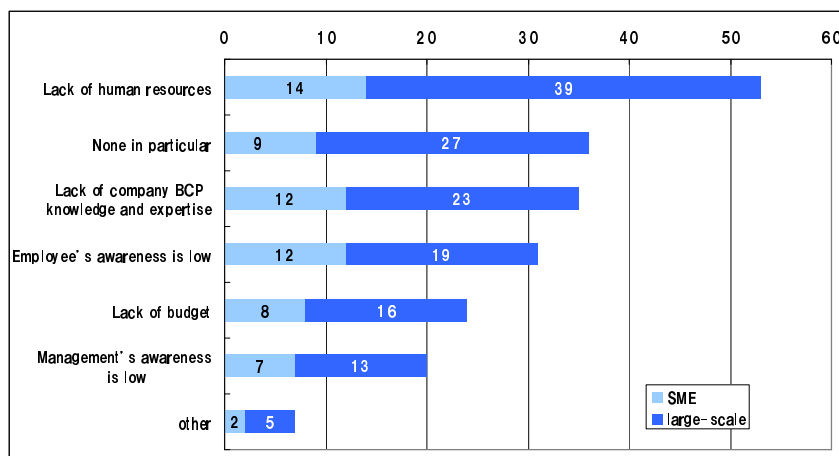
Among respondents that have or are in the process of creating a written BCP, 71.8% coordinate with their suppliers on emergency operations and 61.5% coordinate with their communities in preparation for widespread disasters. Only 46.2% of those, however, know their suppliers' BCP status.

Overall, the top two obstacles to monitoring and updating BCPs are “lack of human resources” and “lack of company BCP knowledge and expertise.” When large-scale companies are focused on, however, “none in particular” is the second-most frequent response. (See Chart 11)



**Chart 11 Obstacles for monitoring /updating BCP**

(multiple answers, n = 23 (SME), 66 (large-scale): companies that have a written BCP)



## Conclusion

From lessons learned from past catastrophic events, the private sector plays an important role in reducing economic damage and regional impact it is well prepared for disasters. Below are key suggestions and policy recommendations for encouraging adoption of BCP among APEC economies drawn from the survey's findings and HFA review results.

The absolute level of HFA achievement differ by the country depend on the situation but within the perspective of area and supply chain resilience, it is critical to take a relative balance of the level of HFA achievements among related countries and regions.

Therefore utilize HFA review result properly will be one of the effective way to promote BCP though the APEC for regional resiliency..

These suggestions are also applicable to other regions.

[1] Fill in the gaps between economies and improve each level of BCP development.

There are gaps in the level of BCP development between economies. To fill these gaps throughout the APEC region, first it is needed to share good practices to raise awareness of significance by utilizing BCP guidelines and toolkits commonly used in advanced economies (P3-C1, P3-C3, P3-C4). Second, more attention should be paid to supply chain management and close relationships with relevant communities, public infrastructures, and agencies as one of the perspectives of public and private partnership (PPP) (P4-C3, P5-C2, P5-C4). Teamwork collaboration on BCP development with suppliers, including those in different economies, will also improve the BCP status of emerging economies.

[2] Remove bottlenecks identified for BCP development.

It is essential to make an effort to remove obstacles found in the survey, which all are critical for BCP development. (P3-C1, P3-C3, P5-C3, P5-C4)

- Lack of BCP leadership among top management
- Lack of skills and knowledge
- Difficulty in securing human resources
- Low awareness among employees
- Lack of budget for BCP tasks

[3] Expand effective public support systems and resources available.

It was identified that BCPs are least well known among SMEs. SMEs are the firms predominant within APEC member economies, and they employ a large percentage of the region's work force. Their limited resources and skills, however, make them more vulnerable.

In order to strengthen SMEs capabilities, the survey indicates that public support is effective. It is therefore needed to expand public support systems and resources available to SMEs. First, public support should enhance the BCP awareness of SMEs by providing disaster information. Second, skills and knowledge should be provided using supply guidelines, standards, and toolkits. (P1-C1, P3-C1, P3-C3, P4-C3, P5-C4)

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