

Limitation of individual BCMs (Business Continuity Management) and importance of community-based BCM in wide-area disasters

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ABSTRACT :

In a modern networked society, most business operations are diversified and interdependent cross-regionally. This is a very efficient system in a normal situation but will cause many chain-failures through its interdependencies once large disasters hit any SPOF (Single Point of Failure) in the networked structure. In order to assure an organization's business continuity at the time of disasters, BCM should expand its scope by including stakeholders and regional BCMs based on PPP (Public-Private Partnership). This will play a key role to enhance a local community's resilience. Based on the case studies on the three recent large earthquakes in Japan, the limitations of existing PPP are assessed and the importance of the intermediaries to provide economic incentives are recognized., Several BCM-related financial schemes are discussed as one form of effective economic incentives.

KEYWORDS:

BCM (Business Continuity Management), Interdependency, SPOF (Single Point of Failure), Interoperability, Community-based BCM, PPP (Public-Private Partnership)

1. IMPORTANCE OF THE COMMUNITY-BASED BCM AND PPP (PUBLIC-PRIVATE PARTNERSHIP)

1.1 Increasing interdependencies of our society

In the modern networked society, it is very rare for products and services to be provided by a single organization, regardless of organizational form — whether public, private or NPO (non-profit organization). Most of the processes to develop and deliver products and services are divided vertically and horizontally throughout supply chains. In normal conditions, this is a very efficient and effective structure; however, due to the wide range of interdependencies that the system entails, disaster situations may result in a far-reaching chain of disruption to the delivery of products and services. As a result, power of disasters have not changed much but impacts on our society have been dramatically increased because of interdependencies with functional diversifications and concentration of specific functionalities of our society. In the highly interdependent society, the organization that fails to adopt a holistic approach to business continuity planning will find it almost impossible to have substantial operational resilience. It is therefore becoming increasingly important to establish a community-based business continuity management (BCM) with participation from all related organizations.

1.2 Local community as an interface between public and private sector business continuity management

In the expanding scope of business continuity management (BCM) in the both the public sector and the private sector, both sides share a common area: the local community.

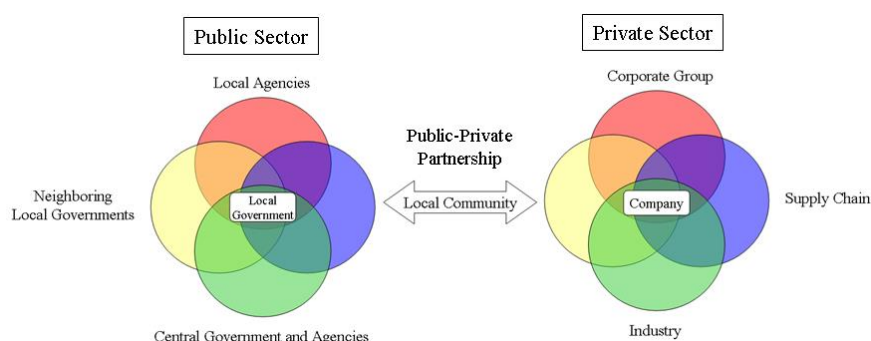
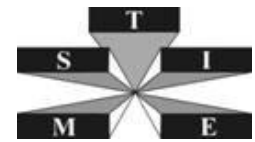


Figure 1. The role of PPP (Public-Private Partnership) in the expanding BCM scope



In this area, the public-private partnership (PPP) has an important role to promote BCM for both sides and also to enhance social resilience as a whole (Figures 1).

2 DEVELOP PPP-BASED REGIONAL BCMS WITH INTERMEDIARIES]

In order to improve the feasibility of the PPP-based regional BCMS that are facing the challenges discussed in the previous section, “implementing intermediaries” which provide economic incentives can be effective in improving performance of PPPs.

The general trend for central or local government has been preparation of “safety-nets” for future disasters in the nation or region. This sometimes decreases the level of motivation of organizations to prepare. Although it does not have much impact on companies with proactive preparedness efforts, it does have some negative impact on less-motivated, reactive companies.

As discussed in the introduction, interdependencies among organizations have increased rapidly in the modern networked society. Volatility in community resilience has also increased due to a growing difference in business continuity or resilience level between proactive, leading organizations and reactive, following organizations. This means that if the business continuity of a poorly resilient company fails under disaster conditions, it can easily disrupt a whole supply chain or networked socioeconomic activities in the local community.

In order to reduce the volatility, economic incentives may push up the less-motivated following companies by helping them recognize the economic rationality in enhancing their business continuity and resilience. As a result, the level of community resilience as a whole will rebound.

Some financial incentives are already available in the market, and up-and-coming schemes can be seen in social responsibility investment, investment tax reduction, or governmental procurement. In those schemes, balancing the level of “safety net” availability and self-motivated organizations’ efforts is important for the successful implementation of the PPP framework in regional BCMS.

In addition to one-way relationships between the public and private sectors, there are several PPP schemes with intermediaries that provide economic incentives and the full-paper discusses the two categories of economic incentives; Public sector’s support to intermediaries and financial incentives.

3 CONCLUSIONS AND NEXT STEPS

Management efforts to implement business continuity measures in organizations have been increasing gradually as Japan has experienced new types of socio-economic disruption because of interdependencies in society. In order to overcome the limitations of separate BCM-related efforts of each organization in the society, management should expand the scope of BCM in consideration of interdependencies with external stakeholders. Economic incentives such as BCM-related financial products (loans with lower interest rate, commitment lines with pre-determined trigger event, and revenue coverage insurance), which are available from financial institutions, are effective in creating incentives for less-motivated, reactive organizations to enhance their business continuity and resilience. Those financial institutions will increasingly play an important role as intermediaries in the PPP frameworks for regional BCMS. Although most of the discussion in this chapter is based on the case studies in Japan, these considerations may be applicable to countries with similar types of highly interdependent social structures.

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