Emerging needs for Business Continuity Planning - Increase Interdependencies of Our Networked Society and Needs for Interoperability

Submitted by: Nagoya Institute of Technology
Emerging needs for Business Continuity Planning
- Increase interdependencies of our networked society and needs for interoperability -

APEC EPWG Workshop: Introduction 1
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Agenda

Introduction: Increasing interdependencies and vulnerabilities of our networked society

1. Emerging needs for BCP/BCM for societal security and interoperability among organizations
2. Quick review of lessons learnt from the Great East Japan earthquake
3. Next steps
Introduction
Emerging needs for BCP/BCM for societal security and vulnerabilities of our networked society

Increasing interdependencies of our society
Interdependencies in the "networked" society
Emerging Vulnerabilities in BC
Scope of business disruption has been expanding in the "networked" business processes

- Increased speed of "chain failure" spread
- Widened area of "chain failure" spread
- Increased possibility of impacts from other’s failure
- Increase difficulties in detection in advance

Increasing "unexpected" incidents and Expanding economic damages per incident

Volcanic eruption [April, 2010] “the connected dots”

Nissan’s two main factories in Kyushu and Kanagawa stopped for few days because of the disruption of their supply chain. (April 21, Yomiuri News)

Emerging geopolitical risks: anti-gov. demos, labor strikes, limitation of rare-earth exportation
1. Emerging needs for BCP/BCM for societal security and interoperability among organizations

Stakeholders

Many stakeholders have started concerning vulnerability in BC

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit banks, trading companies</td>
<td>credit agreement</td>
</tr>
<tr>
<td>Internal auditors</td>
<td>duty of auditing</td>
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<tr>
<td>External auditors</td>
<td>auditing contract</td>
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<tr>
<td>Employees and families</td>
<td>employment contract</td>
</tr>
<tr>
<td>Regulatory &amp; Supervisory agencies</td>
<td>permission &amp; authorization</td>
</tr>
<tr>
<td>Local governments</td>
<td>registration</td>
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<td>Local communities</td>
<td>local resource sharing</td>
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</tbody>
</table>
Shared BCM with Stakeholders
Stand-alone BCM is insufficient – scope should be expanded

*Conceptual chart for the private sector

Responses to the stakeholders’ concerns
Limitation of SLA, 1st, 2nd party certifications

- SLA (Service Level Agreement)
- 1st party certification (by internal auditing)
- 2nd party certification (by bi-lateral auditing)
- 3rd party certification (with standards)
Source of Corporate Value
Transformation from tangibles to intangibles

2. Quick review of lessons learnt from the Great East Japan earthquake
The facts: a series of major disasters
The wider repercussions and more...

3.11 Great East Japan Earthquake

Long-term economical impact of a large disaster
Impact of opportunity losses and its consequences

From the statistics of the Hyogo Economical Research Institute
Review on preparedness (1)

- Technologies
  - Technologies of software & hardware for the risk management performed well
  - Through the lessons from past great earthquakes, we learned how we should design and construct facilities, and what information is needed at emergency.

- BCP
  - It emerged that some companies that had introduced BCP could corresponded rightly.
  - The organizations with flexible BCP operations could response to the series of disasters

Review on preparedness (2)

- Wide-spread disruption of major supply chains
  - Not only Japanese manufacturers but other non-Japanese ones had to stop or reduce production due to the disruption of supply chains.
  - Some companies with BCP covered just their own business, not the supply chains extensively. As a result, their operations got limited by the external factors with interdependencies of their operations.
  - At activities of recovery, governments had difficulties because many of them did not know the dynamics of the disrupted supply chains.
  - Information sharing and communications between public-sector and private-sector for decision-making were so limited.
**CASE: Realized concentration risks**

Concentration risks that have not been managed in SC

- **Final Manufacturers**
  - 1st Tier Suppliers
  - 2nd Tier Suppliers
  - 3rd Tier Suppliers
  - 4th Tier Suppliers

Most of the final manufacturers do not have enough resources or systems for daily monitoring of 4th Tier and under suppliers.

Realization of “unmanaged” concentration risks at 4th and under Tier suppliers and most of them are SMEs (Small Medium Enterprises) without BCP

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**Project: Information sharing with PPP**

Conceptual design of visualization and information sharing of major supply chains

- Ministry of Economy Trade and Industry (METI HQ)
- SME Agency
- METI (Tohoku Regional Office)

Auto Industry

- Honda
- Toyota
- Subaru
- Daihatsu

Industry associations

Electronic Industry

- Hitachi
- Sony
- Toshiba
- Sharp
- Mitsubishi
- NEC

Industry associations

Foreign Enterprises

- Samsung
- Foreign chamber of commerce in Japan

Local governments (city, town) will be fully involved in rescuing residents especially in the first and second weeks after any major disasters.
Review on preparedness (3)

- Disaster scenarios
  - Some causes of dysfunctions of BCP seems that some companies could not respond to “domino-crisis with multiple-disasters in a short time period.
  - Some companies misunderstood the disaster assumptions or hazard maps from the governments and unintentionally set “unexpected” areas.

- People identifications
  - Some local government data was lost with system and building, it caused difficulties for the government to identify the people.
  - People kept moving into/out from the community (and the shelters) and the local governments had difficulties to chase their people.

3. Next steps
**Shared BCM with Stakeholders (Private Sector)**

Stand-alone BCM is insufficient – scope should be expanded

- Affiliated Company Group
- Local Community
- Supply Chain
- Industry

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**Shared BCM with Stakeholders (Public Sector)**

Stand-alone BCM is insufficient – scope should be expanded

- Local Agencies
- Neighboring Local Governments
- Local Community
- Central Government and Agencies

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Shared BCM with Stakeholders (Public/Private Sector)

Emerging needs for PPP (Public-Private Partnership) for societal security

Next steps and challenges

- Define the scope of standardization in BC
- Define requirements for interoperability among organizations
- Coordinate existing and incoming guidelines and standards
- Increase feasibility of PPP (Public-Private Partnership) to enhance societal resilience
- Develop community BCM approach especially for SMEs