



A wet run for BCM

Summary

The widespread floods in Thailand, that started late July 2011 and that show no sign of abating to date, have yet again pushed Business Continuity Management from a theoretical exercise to a live situation. Since this type of disaster allows for ample preparation time it is a good test case to examine the effectiveness of the preparation efforts. Not surprisingly, preparedness is one thing but communication is quite another.

Dear reader,

It is no news that emergency situations bring out the best and the worst in people and organisations. The recent floods in Thailand¹ gave another example of the realities of business continuity management. What makes this case special is that this emergency (unlike an earthquake, a terrorist attack or a sudden fire) was not at all sudden, giving banks ample time to invoke Business Continuity Plans. In a way, that makes for a 'benign' situation where there should be no need to make split second decisions and where, theoretically at least, the continuity measures can be executed according to plan. Although the crisis is not over, we can already draw some conclusions about the initial response of banks. We will focus on three aspects here:

- a) Did the Business Continuity Plans deliver any value to the banks?
- b) Were the banks able to remain operative?
- c) Was there sufficient and adequate internal communication?
- d) Was there sufficient and adequate external communication?

a) Did the Business Continuity Plans deliver any value to banks?

The Business Continuity Plans provided a lot of initial comfort. Despite the extensive level of detail in the BCP, many questions remained regarding many practical issues. These ranged from very practical issues such as 'Where do we store 15 000 sandbags?' and 'can we obtain more blackberries?', to tactical decisions like 'in what circumstances do we fall back to a 'Guardianship model' or a 'Reduced Business Operations model'. Not all circumstances can be pre-planned, and after the initial comfort from a BCP, the ability to make decisions becomes rapidly more important than what has been pre-arranged in the plans. Thus, the BCP was valuable, but only in the initial stages of preparation and as a source of how to arrange responsibilities and set up decision structures. In terms of operational detail, much had to be improvised regardless of pre-planning.

¹ To date (15 October 2011), 60 out of 77 provinces have experienced some degree of flooding directly affecting 2 million people, with 2 provinces completely inundated and declared emergency zones with serious loss of life (approximately 290) and well over 900 factories effectively shut down. From an operational banking perspective, close to 150 ATMs were out of order, a total of 93 branches were closed down and a further 20 relocated affecting retail and commercial banking customers. Commercially, it is expected that NPLs will rise considerably (by as much as 30%) in 2012 and, despite a relaxation of NPL criteria, provisioning will increase thereby reversing a sharp downward trend YTD. The drop in annualised GDP is estimated at around 0.9%



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b) Were the banks able to remain operative?

From a consumer perspective, the banks were able to operate on a business as usual basis with call centres available and all services running normal except for directly affected branches. The affected branches were shut down in an orderly fashion but in some cases did not provide alternate sites. The main reason for that is that a lot of banking business (especially retail business) requires paperwork which would be local. Also, the lack of transport facilities made it physically impossible to reach even branches that were open. Communication with customers was fast through internet and SMS messaging, usually within hours of decision making.

c) Was there sufficient and adequate internal communication?

Internal communication was probably the best example of first class BCM, with twice daily incidence response team meetings and a crisis management team made up of the decision makers with the right level of authority. The communication to staff was much more haphazard. Communication to directly affected staff (such as operations staff) was prompt, the wider staff communication relied on word of mouth which in some cases increased speculation and confusion.

To illustrate that confusion, consider the case of a senior staff member who remarked: 'We should have a procedure for dealing with business disruptions', during one of the scheduled BCM meetings to do just that. Coming from a responsible and responsive manager, the remark shows that people sometimes expect the BMC process to address the problems directly, rather than providing the mechanism that allows the bank to continue to operate under adverse conditions.

d) Was there sufficient and adequate external communication?

External communication was minimal but fairly effective. Since the call centre was available at all times, at least one channel stayed operational. Not many clients expected branches that were under two meters of water to be open. The degree of external communication was thus minimal but sufficient. During the clean up time, it is expected that external communication and client handling will require considerable additional effort. That effort can, however, be planned well in advance. It is, however, not typical to find the follow up and clean-up operation in any level of detail in Business Continuity Plans.

Conclusion

Eisenhower's old chestnut that *In preparing for battle, I have always found that plans are useless but planning is indispensable* remains valid for business continuity planning and disaster recovery. Given the nature of the disaster, there was enough time to prepare and take appropriate measures. The two major lessons from this event can be summarised as:

- Business Continuity Plans helped to make appropriate decisions but did not of course contain those decisions ahead of time;
- Communication internally proved **the** major success factor

These two lessons support the idea that business continuity plans must focus more on internal communication and can lose some of the operational detail, which is highly dependent on the type of disaster anyway.