



Intangible impacts of natural disasters on global supply chain and importance of Area-BCM (Business Continuity Management)

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AGENDA

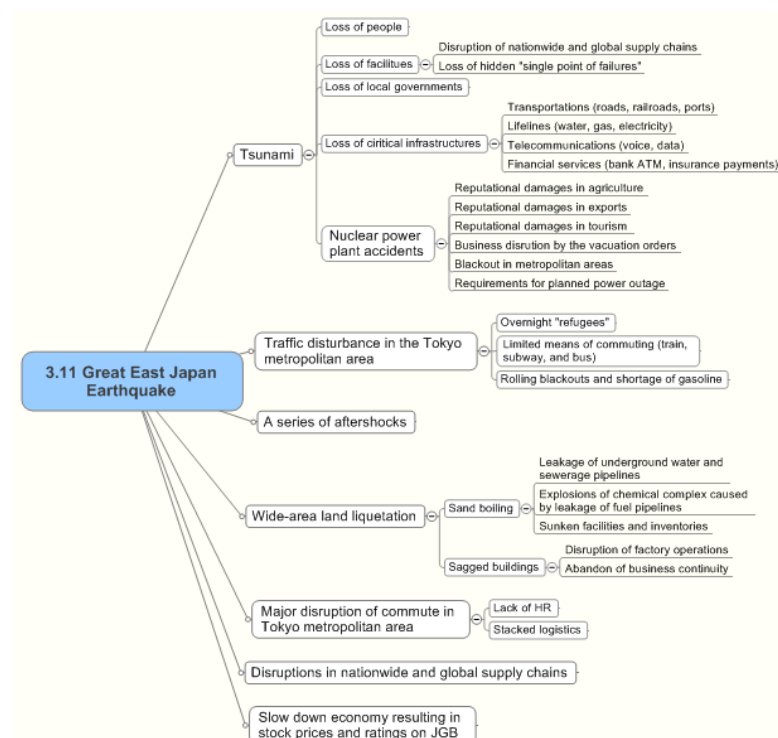
1. Quick review of the recent disasters and wider & longer spread of business disruptions
2. Emerging limitations of individual BCMs and importance of the PPP(Public/Private Partnerships)-based Area BCM
3. Some cases for Area BCM with regional information sharing, and economical incentives to promote regional BCMs
4. Challenges in the professional skill development

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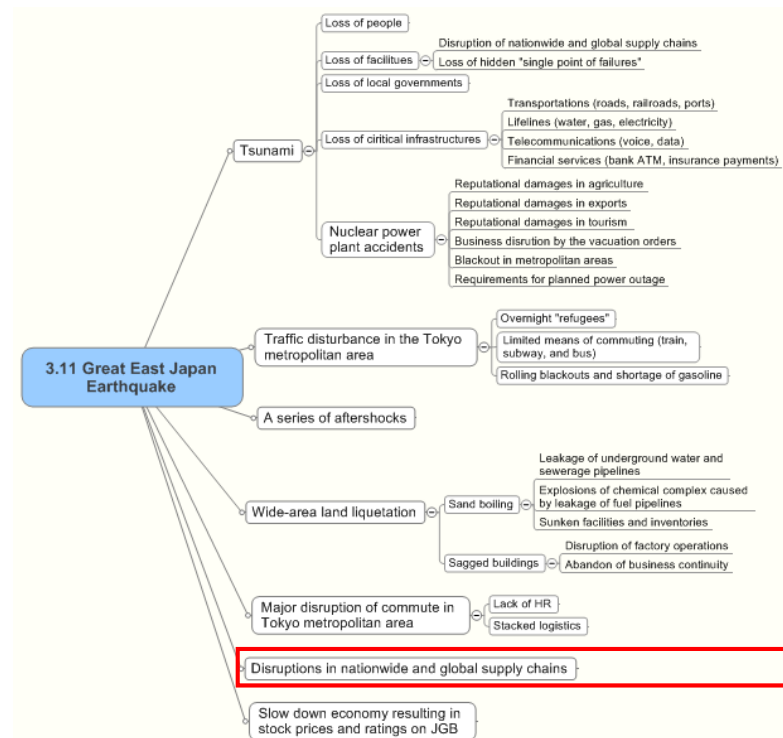
1. Quick review of the recent disasters and wider & longer spread of business disruptions

The chain-failures through dependencies The wider repercussions into the intangible social functionalities and values



The chain-failures through dependencies

The wider repercussions into the intangible social functionalities and values



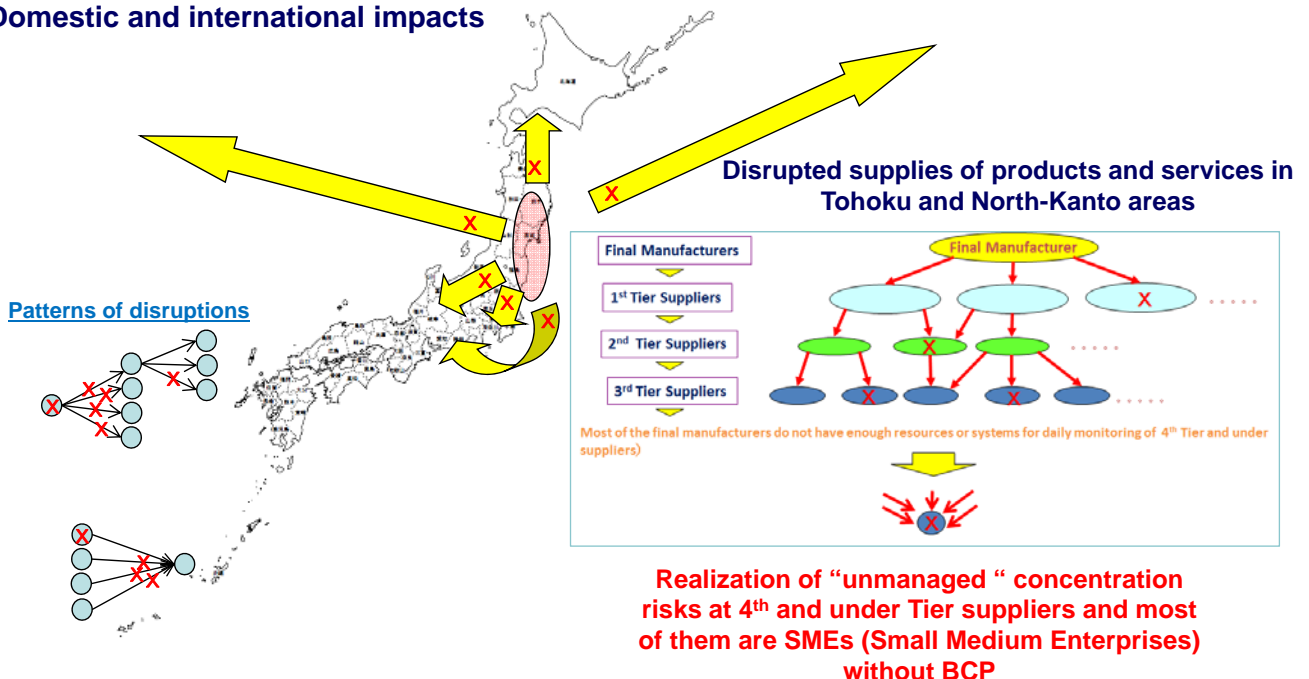
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Spread damages through major supply chains

Visualized interdependencies in major supply chains as results of chained disruptions

Domestic and international impacts

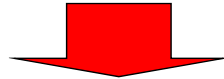


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Volcanic eruption [April, 2010]

"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, 2011: Yomiuri News)

Emerging geopolitical risks:
anti-governmental demos, labor strikes, limitation of rare-earth exportation

Major flood in Thailand [Jul.-Nov., 2011]

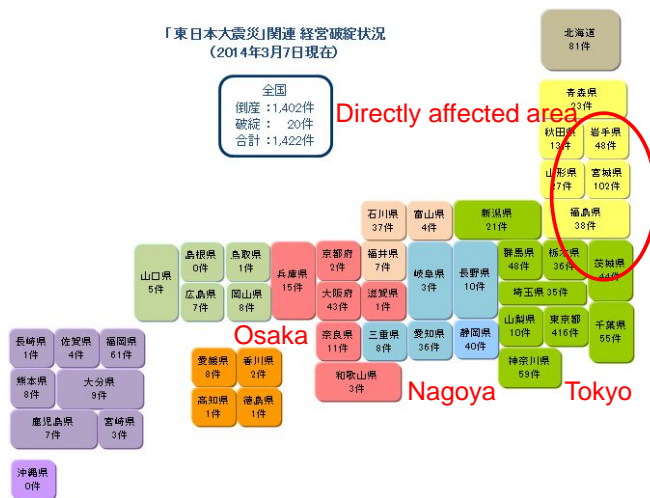
"the another connected dots"



- Climate change as one of macro factors
- Concentration of and increasing interdependencies among urban functions
- Rapid growth of population in the large cities
- Delayed disaster information sharing among stakeholders
- Lack of synergies and interoperability among individual BCPs/BCMs

Bankruptcies with direct/indirect damages

The Great East Japan Earthquake still causing bankruptcies even after 3 years



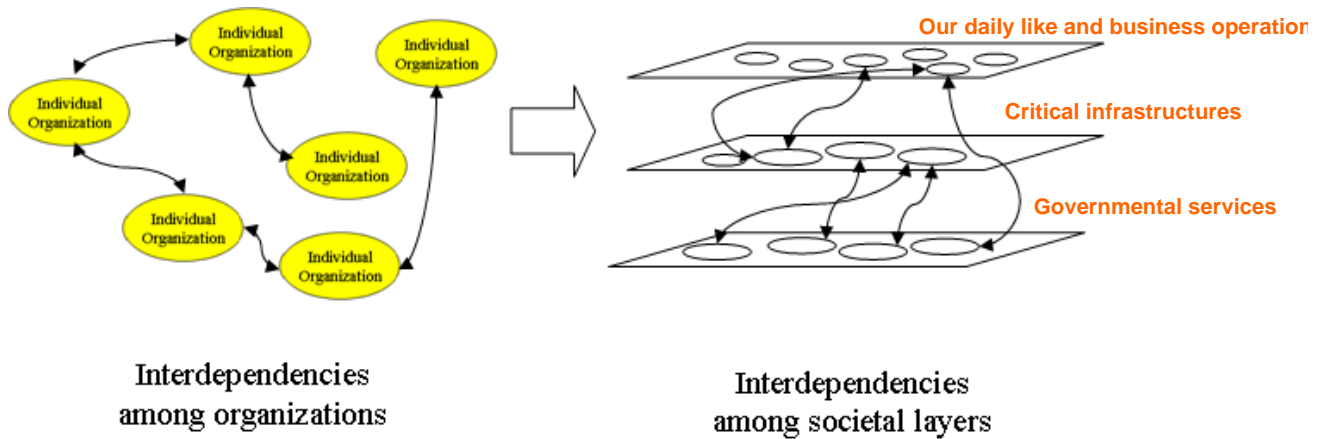
- Approximately 90% of the earthquake-related bankruptcies have been damaged indirectly.
- In the case of the Kobe Earthquake in 1995, indirect bankruptcies were less than 50%.
- Related-bankruptcies are still on-going at the level of 25% of the peak. (approx. 20 by month)
- Approximately 70% of the bankrupted companies are SMEs.

(from analysis of TDB: Teikokuk Data Bank)

2. Emerging limitations of individual BCMs and importance of the PPP(Public/Private Partnerships)-based Area BCM

Increasing interdependencies of our society

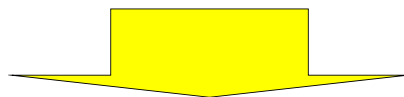
Interdependencies in the “networked” society



Emerging vulnerabilities in business continuity

Scope of business disruption has been expanding
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

Stakeholders

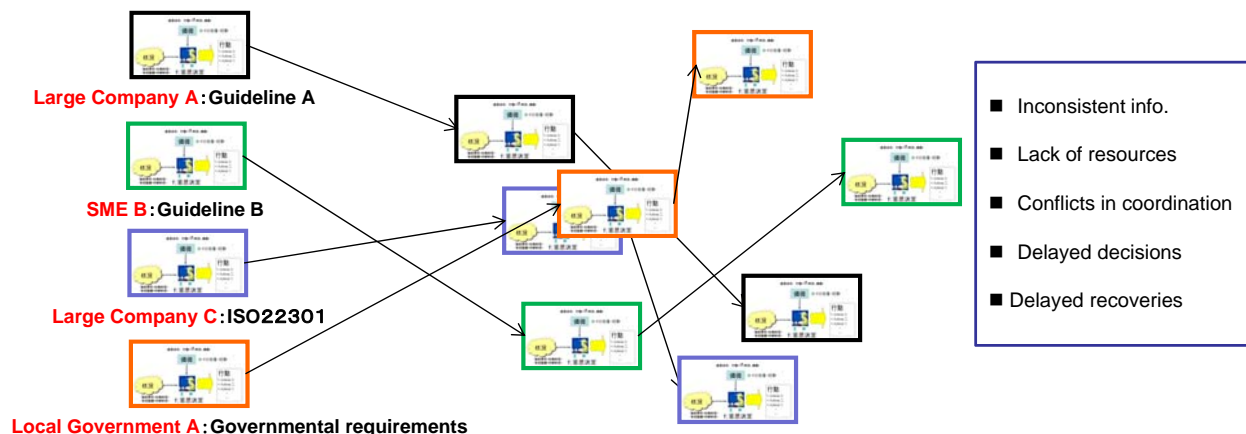
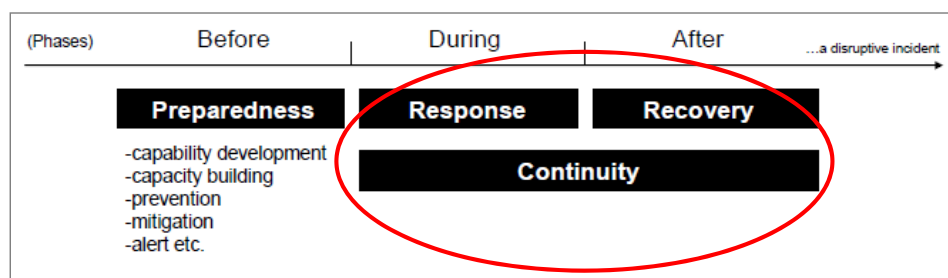
Many stakeholders have started concerning vulnerability in business continuity

Stakeholders	Relationship
Direct buyers	commercial contract
Direct suppliers	commercial contract
Indirect buyers/suppliers (Supply Chain)	goods & service supply
Corporate users/clients	commercial contract
Individual users/clients	contract
Investors	capital investment shareholding
Rating agencies	credit rating

Stakeholders	Relationship
Creditors(banks, trading companies)	credit agreement
Internal auditors	duty of auditing
External auditors	auditing contract
Employees and families	employment contract
Regulatory & Supervisory agencies	permission & authorization
Local governments	registration
Local communities	local resource sharing

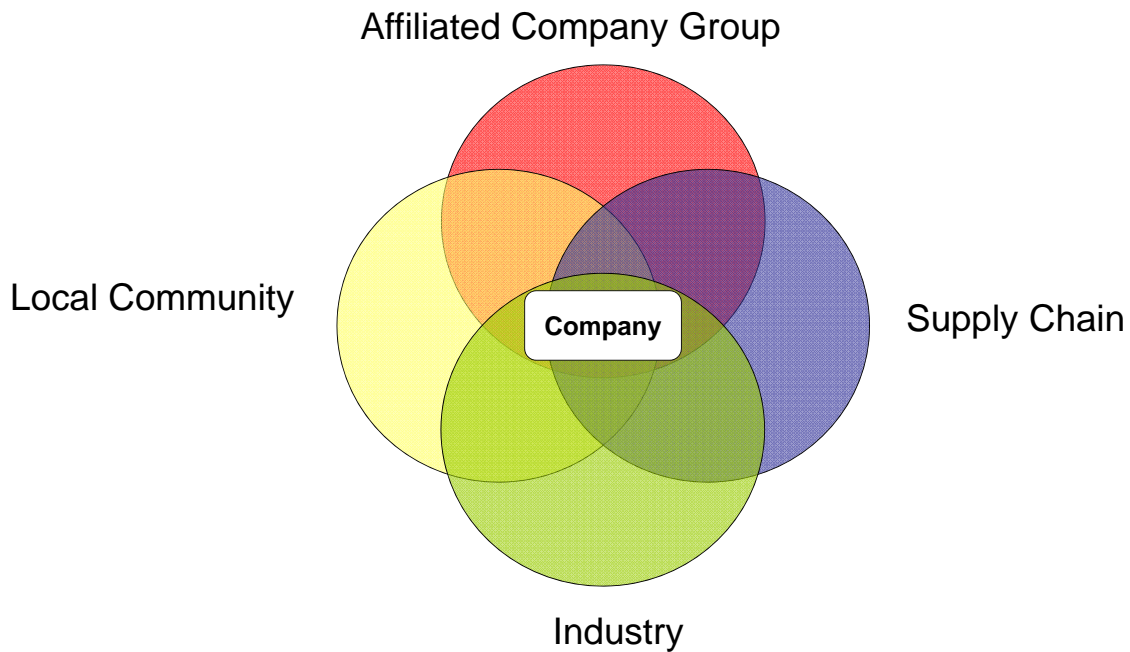
Cross-organizational decision making in a large-scale disaster

Inconsistencies among organization will cause inefficiencies and unnecessary conflicts in response and recovery activities



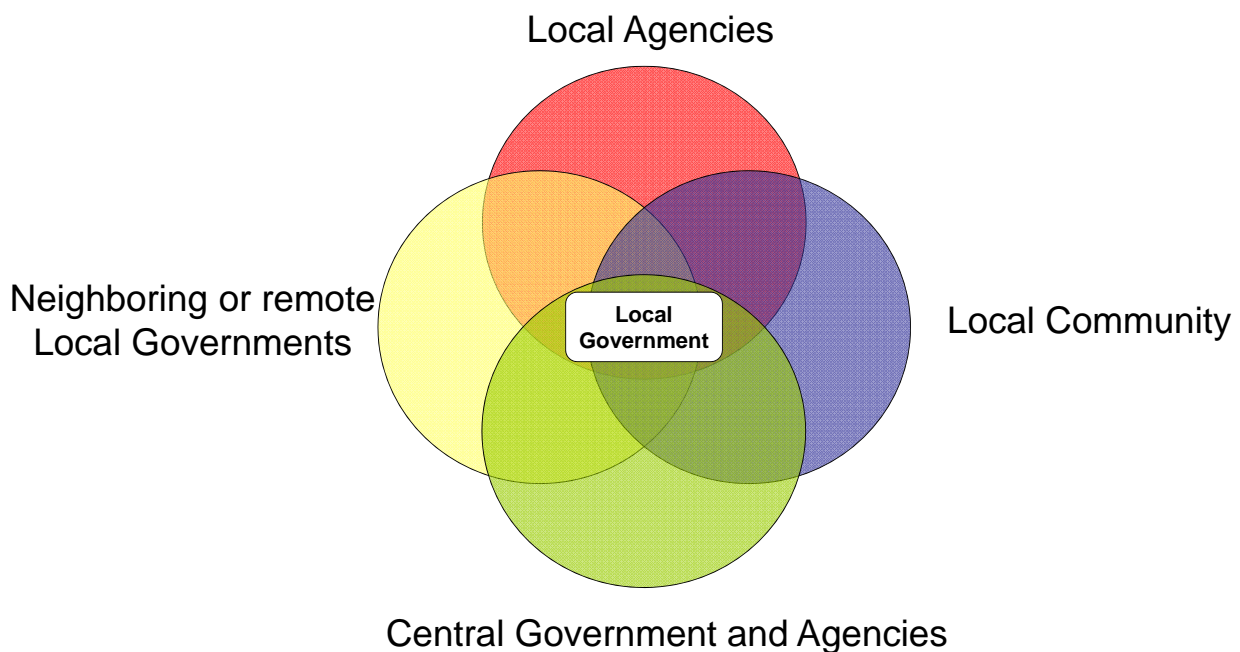
Shared BCM with stakeholders (Private Sector)

Stand-alone BCM is insufficient – scope should be expanded



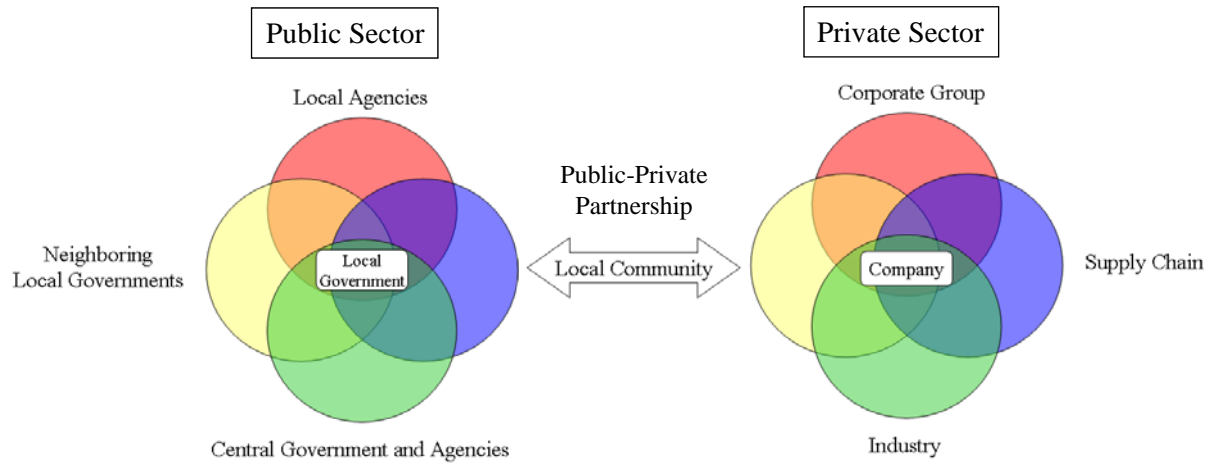
Shared BCM with stakeholders (Public Sector)

Stand-alone BCM is insufficient – scope should be expanded



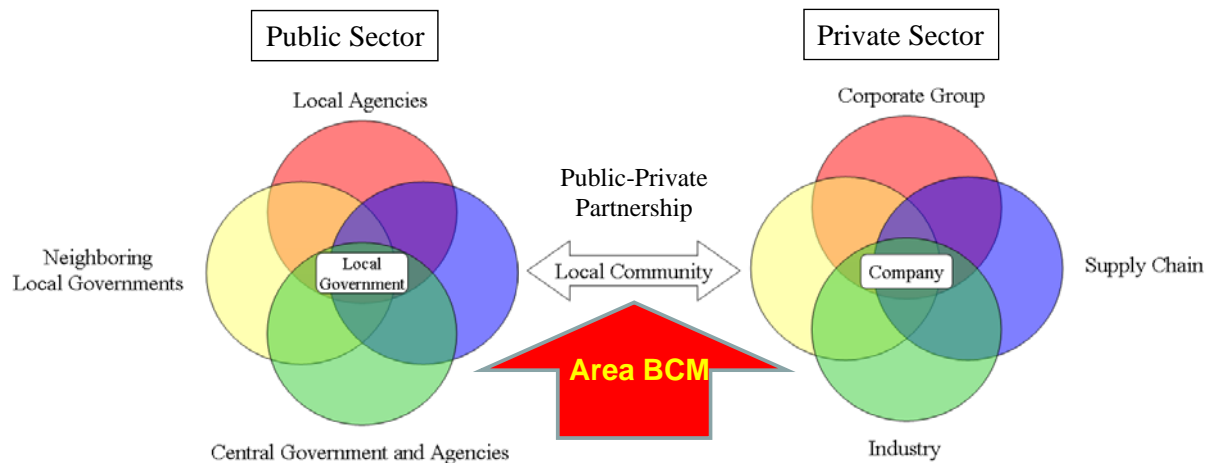
Shared BCM with stakeholders (Public/Private Sector)

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



Shared BCM with stakeholders (Public/Private Sector)

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

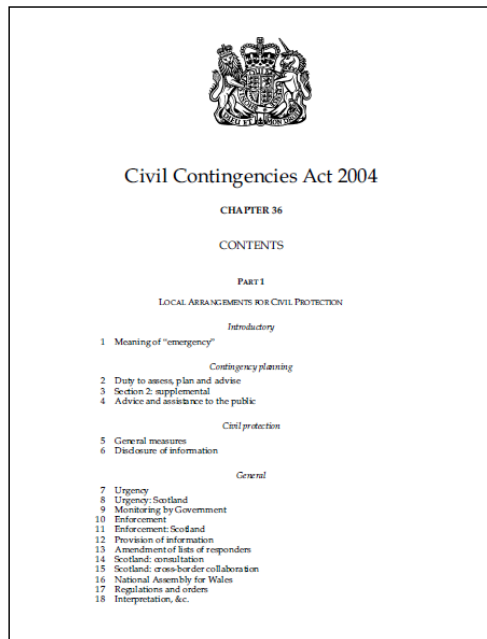


3. Some cases for Area BCM with regional information sharing, and economical incentives to promote regional BCMs

CASE: UK Cabinet Office, Risk Communication & Sharing

Regulatory-based PPP(Public-Private Partnership)

Risk communication from UK Government as the starting point

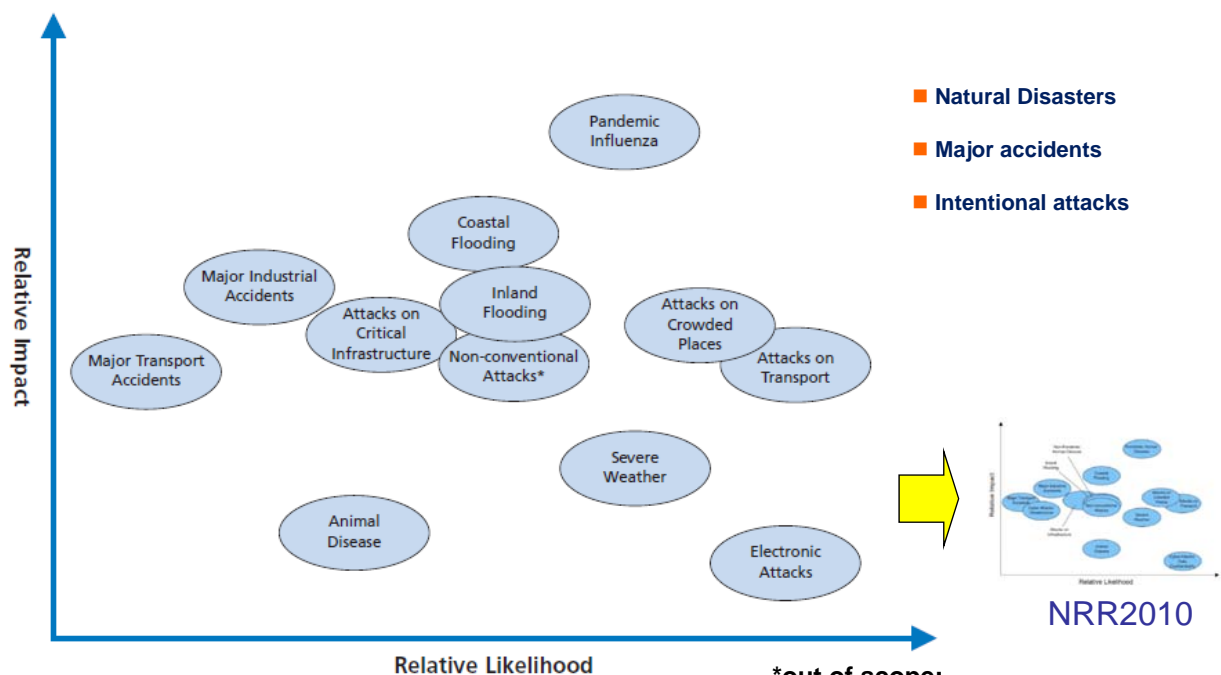


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Risk maps by the UK Cabinet Office

National Risk Register (2008, 2010, and 2012) shared at the national level and drills down into lower layers: region and community



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CASE: JICA, Area-BCM

Area-BCM Project for ASEAN countries by JICA

Started with industry complexes and strong interests recognized

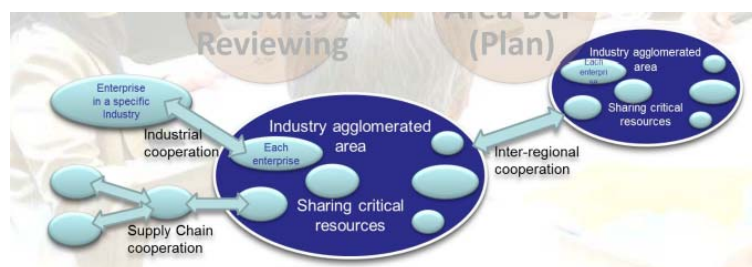
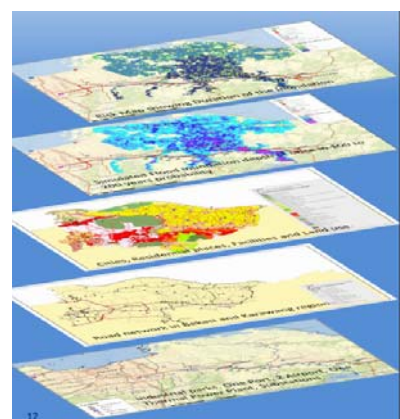
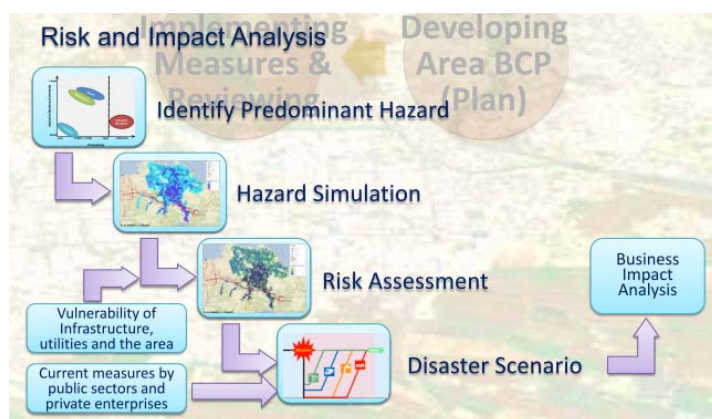
Area-BCM Project for ASEAN countries by JICA (Japan International Cooperation Agency)

with AHA Centre (ASEAN Coordinating Centre for Humanitarian Assistance on disaster management)

- 3 pilot sites selected and several workshops have been initiated in Indonesia, Philippines, and Viet Nam.
- Shared regional risks among local stakeholders and discusses impacts of the realization of the risks.
- Several tools have been developed such as “Guide Book”, “Risk Assessment Reports” (for Cavite/Laguuna, Bekasi/Karawang, Hai Phong), and “Country Reports” (for Bruinei, Cambodia, Singapore, Malaysia, Lao PDR, Myanmar, Philippines, Indonesia, Thailand, and Vietnam)

Area-BCM Project for ASEAN countries by JICA

JICA is providing professional disaster and impact analysis tools to be shared and several workshops executed

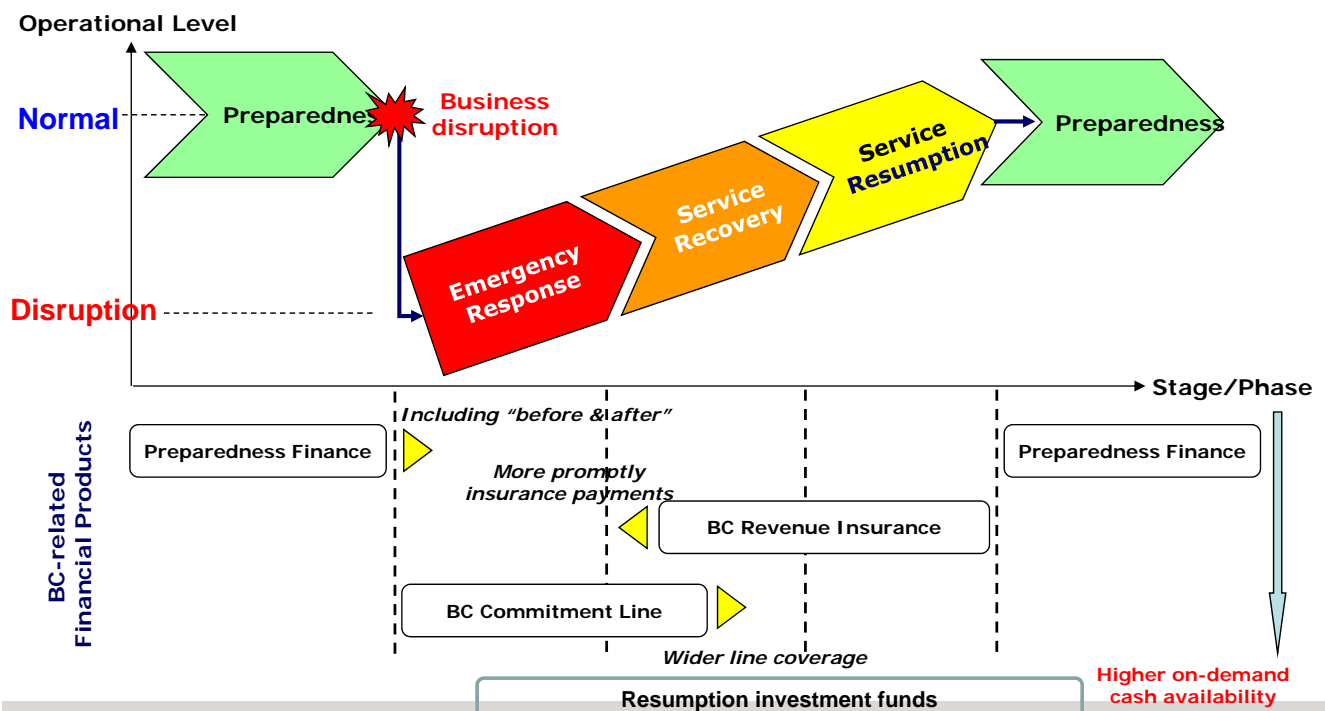


CASE: Development Bank of Japan, BCM rating for finance
(Economic incentives)

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Conceptual coverage of financial products as incentives
Seamless implementation with lower rate and wider coverage

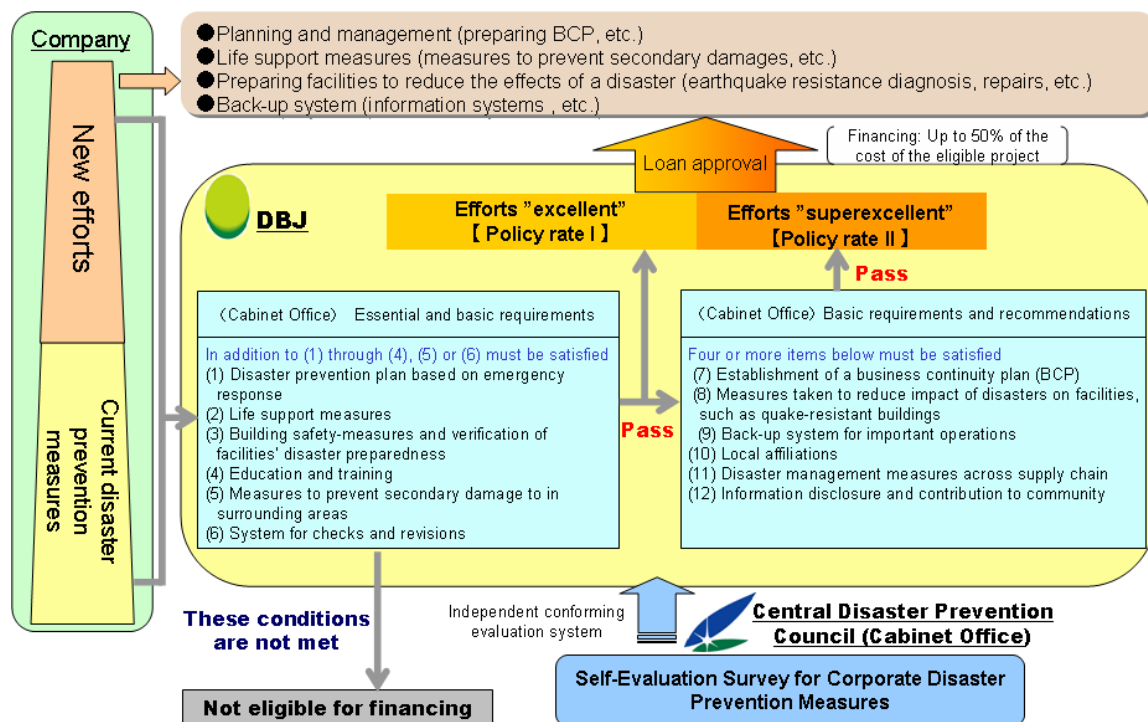


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Finance program 1: "Preparedness Finance"

Development Bank of Japan: Disaster Prevention Loan



Source: Development Bank of Japan

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Finance program 1: "Preparedness Finance"

CASE: Okuwa Co., Ltd.

Preparation for the highly expected natural disaster



- Quake-resistance construction to Okuwa's stores which locate in the area where a large-scale earthquake is expected
- Enhancement of HQ-stores communication line with duplex structure
- Okuwa has the non-charge food delivery agreement with the local government (Wakayama Prefecture)

Source: Development Bank of Japan and Okuwa Co., Ltd.

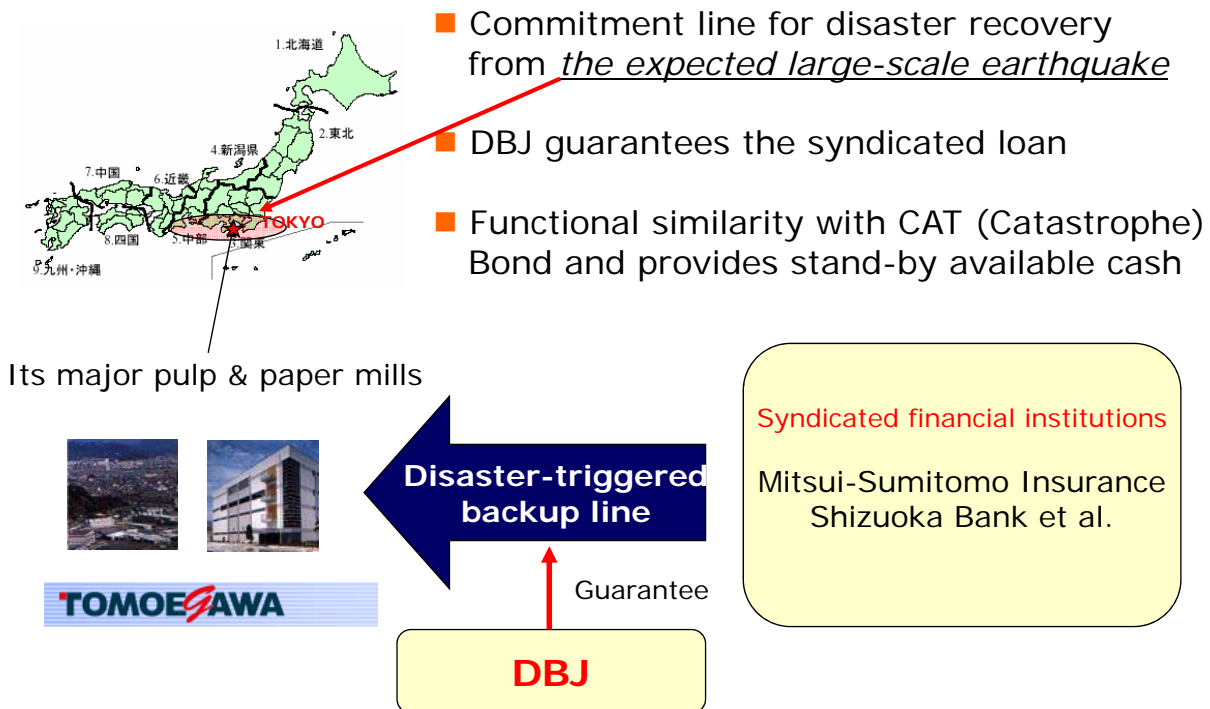
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Finance program 2: "Commitment Line"

Case: Tomoegawa Co., Ltd.

DBJ's Disaster-triggered backup line (EQ-Line)



Source: Development Bank of Japan

4. Challenges in the professional skill development

The initial observations

The difficulties for professional developments in BCM and needs for a comprehensive framework

Difficulties in developing BCM (or Societal Security) – related skills in organizations

- No well-defined career-paths for the professionals in this fields.
- Many external training courses are available but with relatively narrow focuses.
- As a result, the professionals tend to be isolated especially from management itself and limited contributions.

Difficulties for individual professionals to maintain certifications

- Many professionals in BCM maintain several BCM certifications and others.
- This situation sometimes causes inefficiencies in maintain the certifications and professional networks.

Needs for a comprehensive framework for professional skill sets

- A comprehensive framework for to the professional skill sets with criteria, levels may contribute in skill development & implementation in organizations.

Many responsibilities are assigned to the professionals

The difficulties for individual professionals skill definitions



Many options are available for professionals in BCM

The difficulties for individual professionals to maintain certifications and professional networks



Expected outcomes from the framework

Mid-long term professional developments in organizational HRM(Human Resource Management) operations along with organizational strategy



Organizational Level

- Organizational strategy
- Human resource management (HRM)
- Training programs

Guidelines for developing and implementing organizational professional skills

- Career planning
- Professional evaluation
- Certification criteria

Individual Level

Capability Development

10 shared criteria for BCM professional development

Agreed criteria between BCI* and DRII** in the past is still worth to be a starting points

- ① Initiation and Management
- ② Business Impact Analysis
- ③ Risk Evaluation and Control
- ④ Developing Business Continuity Management Strategies
- ⑤ Emergency Response and Operations
- ⑥ Developing and Implementing Business and Crisis Management Plans
- ⑦ Awareness and Training Programmes
- ⑧ Maintaining and Exercising Continuity and Crisis Management Plans
- ⑨ Crisis Communications
- ⑩ Co-ordination with External Agencies

*BCI(Business Continuity Institute - UK) **DRII (Disaster Recovery Institute International – US)

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Ideal assignments of the 10 criteria in an organization and reality

The inconsistency between BCM strategy and HRM operations is resulted in lack of preparedness

	TO BE
① Initiation and Management	Corporate Planning
② Business Impact Analysis	Risk Management
③ Risk Evaluation and Control	Corporate Planning Risk Management
④ Developing Business Continuity Management Strategies	Corporate Planning Information Systems
⑤ Emergency Response and Operations	Corporate Security Risk Management CERT
⑥ Developing and Implementing Business and Crisis Management Plans	Corporate Security HR(Human Resources)
⑦ Awareness and Training Programmes	HR(Human Resources) Education & Training
⑧ Maintaining and Exercising Continuity and Crisis Management Plans	Risk Management General Affairs
⑨ Crisis Communications	Public Relations
⑩ Co-ordination with External Agencies	C-level Executives General Affairs

Reality

- General affairs and information systems divisions do “everything”
- Gap between corporate BCM strategy and HRM operations
- Sometimes BCM is positioned as operational matter
- Experience-based skill development has limitations for proactive BCM (lack of “connect the dots” activities)
- Higher turn-over ratios of professionals are recognized

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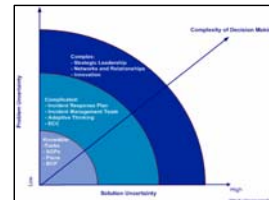
Next steps and challenges

Quick actions are key for success to establish interoperability among stakeholders at the human resource level for incoming large-scale disasters

Next Steps

- Start discussion more in details at ISO/TC292 (Security) in November*
- Analysis and integration of core competences required for BCM professionals based on the existing certifications and definitions
- Start communications with existing BCM-related organizations

*Argentina, Australia, China, Italy, Japan (L), Korea, Sweden



Challenges

- Confirmation of needs for the framework
- Conflict management with the existing players
- Maintenance of consistency with future requirement changes

Thank you

and

Q&A

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