



Emergency Preparedness

## How to Develop a Business Continuity Plan

Matt Morgan | Jul 28, 2022

**Business disruptions caused by world events over the last few years took many companies by surprise. They simply were not prepared for anything like it. Shockingly, *3 in 4 small businesses don't have any kind of plan for continuing operations after a disaster*, according to one study. Based on an unrelated study—but one whose numbers seem to line up—1 in 4 businesses that are forced to close after a disaster never reopen.**

Smart manufacturing companies have learned from the last few years and are taking the opportunity to create or update their plan for continuing operations after a disruption, also known as a business continuity plan.

A business continuity plan lays out a company's procedures for continuing operations in the face of a major disruption. The plan can chart the company's course through physical damage to property or blocked access to worksites from a natural disaster, an extended power outage at a facility, supply chain breakdowns, shutdowns because of a pandemic, or anything else that might affect operations.

## U.S. Suppliers Help Protect Against Supply Chain Disruptions

For manufacturers that have suffered from supply chain issues—or think they might in the future—one component of a business continuity plan could be switching to domestic suppliers.

Larger manufacturers are leading the shift away from overseas suppliers, especially in China, because they have the means to build new factories to boost domestic production.

Smaller manufacturers are following suit. According to a *July 2022 article in Bloomberg*, this points to “a major re-assessment of supply chains in the wake of port bottlenecks, parts shortages and skyrocketing shipping costs that have wreaked havoc on corporate budgets in the U.S. and across the globe.”

New factories mean more options for manufacturers seeking raw materials and parts that would usually come from Asia. Having more domestic suppliers can shorten the supply chain and **add resiliency** against disruptions, which has been sorely lacking in recent years.

Consider a business continuity plan to be a sort of insurance policy for the business. Hopefully it will never be needed, but if it is, it could save the company from financial ruin. Like insurance coverage, a business continuity plan is only good if it is already developed and in place when a disruption occurs.

Now is the time to make a business continuity plan. Start with these tips.

### 1. Form a team to develop the business continuity plan.

Top management should begin by pulling together a small group of leaders from the company’s key business units, such as operations (possibly one person from each production line), human resources and IT. A team leader should be chosen from this group to be accountable for the creation and implementation of the plan.

*This worksheet* from Ready.gov, a site of the U.S. Department of Homeland Security, can be a helpful resource for forming the team and getting an overview of the process of creating a plan.

**Read more: *Will Your Manufacturing Facility Be Ready If a Disaster Strikes?***

### 2. Conduct a business impact analysis.

The next step in creating a business continuity plan is to know what operations would be hardest hit during a disruption, and how they would be affected, so the plan can be focused on restoring those essential areas first.

*This worksheet* from Ready.gov can help the plan development team determine:

- The point when a disruption will have the greatest impact, considering the length of the

disruption and the time it happens—for example, a certain month could be more costly during times of seasonal orders

- What those operational impacts will be, such as lost sales, lost customers or increased expenses
- A dollar amount of the disruption to the operation

Each manager of a business function should fill out the worksheet. When all completed worksheets are submitted, the plan development team will have a holistic, companywide look at the effects of a disruption.

Business functions with the highest financial impact according to the worksheets should have priority in the company's continuity plan.

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### 3. Identify the resources necessary to recover critical aspects of the business.

With the business impact analysis concluded, the company knows where to focus its recovery efforts after a disruption. (Although essential areas should be addressed first, it's important that a business continuity plan cover all business functions.) *This worksheet* from Ready.gov can be used by leaders to identify the resources they need to recover their part of the business over time, from the first 24 hours to one week and beyond.

Here are some key considerations for a recovery plan:

#### **Employee communication.**

If the facility is damaged or access to the building is blocked, how will employees find out? Will they know what to do next, whether that's to stay home or report to a different facility? A good business continuity plan will include a communication component with instructions on how crucial information will be relayed during a disruption.

#### **Inventory management.**

If the supply chain is affected, are there enough raw materials available to deliver products on time? Having an *inventory management system* in place can help keep close tabs on parts and materials generally, but the business continuity plan should also account for *supply chain factors* outside the company's control.

#### **Product delivery.**

Besides supply chain issues, what could affect the company's ability to get shipments out the door? If machines are without power, is there a *backup generator*? If equipment is damaged, can the work be shifted to another line or another facility? Can a deal be struck with a third party to transfer production

temporarily?

### **Customer service.**

When the business is not able to meet its shipping deadlines because of an unforeseen disruption, customers need to be aware. Communicate to them clearly, consistently and compassionately about the state of the recovery, including estimated timelines.

*Read more: [Managing the Supply Chain Crisis: How Manufacturers Can Navigate the Shortages](#)*

### **4. Communicate the plan companywide.**

When the business continuity plan is finished, the team tasked with developing it will report back to top management for approval. At this point, either top management or the business continuity plan leader—or the two in conjunction—will communicate the plan to the company so that everyone, at every level, is aware of the plan and knows what to do in the event of a disruption.

Sometimes it makes sense not to share the whole plan with every employee; in these cases, provide only the information each person needs to carry out his or her part of the plan.

### **5. Test and adjust the business continuity plan.**

No “set it and forget it” here—the business continuity plan is a living document that can and should be updated as the business evolves and new potential risks arise. Schedule periodic companywide tests of the plan, much like *emergency preparedness drills*, to evaluate what’s working and what needs further adjustments.

### **What is the primary goal of business continuity planning?**

The main goal of business continuity planning is to support key company activities during a crisis. Planning ensures a company can run with limited resources or restricted access to buildings. Continuity planning also aims to minimize revenue or reputation losses.