

Crisis Contingency Planning

A Road Map For IT During Economic Crisis



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Crisis Contingency Planning

Executive Summary

Economic Crisis

In the last 90-120 days, we have entered a business world where internationally known and respected companies can simply cease to exist, “over the weekend”. It is a business world in which events are rapid and remorseless and “quick response” is no longer a fad, but has become a survival trait.

“Business Crisis” Contingency Planning

In this environment, many senior IT executives are adopting a process we call “Crisis Contingency Planning”. This approach to planning enables a senior IT executive to plan for two major categories of “Business Changing Events”:

- High Impact events that directly affect the IT department, and
- High Impact events that indirectly affect IT through other departments.

The process of planning for these events is approached in four distinct steps...

The Planning Process...

“Crisis Contingency Planning” consists of four steps:

1. Threat and Opportunity Identification
2. Impact Analysis
3. Action Planning
4. Pre-Event Preparation

These four steps allow the IT executive to formulate strategic and tactical plans to address two types of High-Impact business event:

- Business Upheaval Events, and
- Recession-related (Business down-turn) Events.

Threats and Opportunities

The type of events that “Crisis Contingency Planning” addresses might include Threats like:

- The collapse of a key customer or supplier or
- The unanticipated acquisition of the company.

Of course, all High Impact events are not disasters. In fact, some may present remarkable Opportunities, like:

- Your company acquires a competitor or
- You are able to re-negotiate major leases or contracts.

Conclusion

We now find ourselves in a business world where many firms will fail and disappear! But other companies and their IT departments will survive and even thrive... and for most of these companies, the ability to plan for uncertainty and act on those plans might be the key to survival and success!



Crisis Contingency Planning

IT and the Economic Crisis

Next Monday morning...

It's Monday morning. As you walk into your office, the phone rings. It's the CEO. He explains that over the weekend, your company has merged (...or has acquired 125 new locations, ...or your banking partner has collapsed, or ...). And then he asks you what impact it will have on IT. And you say...?

A year ago, most of us would have said that these were ridiculous scenarios. After all, major changes like these don't just happen over the weekend... there are months (maybe years) of discussions, and studies, and planning before the Big Decision is made. And 120 days ago, that's probably what the IT executives were saying at Lehman Brothers and Merrill Lynch and Fannie Mae and Wachovia and... Well, you get the picture.

The Economic Crisis

As seasoned IT executives, one of our major corporate responsibilities is Planning! We plan and budget for good times and for bad. We anticipate and plan for fires and floods and windstorms. We even have plans for terrorist attacks...

But the Economic Crisis that exploded into the headlines over the last 60-90 days, is unlike anything most of us have ever dealt with. It has created a climate and a set of circumstances that can result in an unanticipated business upheaval, literally over the weekend. And the shock waves from that business upheaval are going to be felt almost immediately in the IT Department...!

The stunning events of the last several months and the light speed pace at which they developed, is forcing many of us to look at a new aspect of business planning... we call it "Crisis Contingency Planning".

Crisis Contingency Planning

"Crisis Contingency Planning" anticipates and prepares for radical, convulsive events that may, "over the weekend", change our company's business landscape. In today's world, we can apply "Crisis Contingency Planning" in two different but related arenas:

- **Business Upheaval Situations** – these events are less common and often higher-impact. They include many of the situations we have followed in the news over the last 90 days. Situations like... the "forced" acquisition of an international bank, ... the bankruptcy of an internationally respected investment banker... and so on.
- **Recession (or Down-turn) Situations** – These events can be just as devastating but usually evolve somewhat more slowly... over weeks and months rather than hours and days. Still, the impact of dramatic reductions in sales or spiraling energy costs can be just as devastating if not anticipated.

We cannot hope to anticipate precisely how a Business Upheaval or Recession situation will unfold, but we can plan for the most likely or most threatening events; and in doing so, we accomplish two important objectives:

1. We create a set of “Action Plans” or templates that can be quickly adapted to ANY unanticipated event, and
2. We create a IT management team that is capable of dealing with the unusual and unknown and is used to quickly adapting to even the most unexpected situations.

Of course, the goal of “Crisis Contingency Planning” is to develop a set of Action Plans that can be implemented on extremely short notice. This process that we have called “Crisis Contingency Planning”, can be viewed in four steps:

Crisis Contingency Planning

Planning Step	Activity
1. Threat and Opportunity Identification	Possible threat and opportunity events are identified.
2. Impact Analysis	The effect of each event on the company and on IT is explored, analyzed, and documented.
3. Action Planning	Detailed action plans are created to deal with each possible event. In addition to actions, required staff and other tools and resources are identified.
4. Pre-Event Preparation	Steps are taken to insure that the Action Plans can be implemented, if necessary. These steps might include special training, locating potentially required resources, arranging “short-notice” resource availability, and more.

Let’s take a closer look at each of these four steps.

Step 1. Threat and Opportunity Identification

“Crisis Contingency Planning” must consider two somewhat different types of IT Threats and Opportunities:

- **Events that impact IT directly** – For example, if the vendor that provides and supports our company-wide data communications network collapses or is acquired, the impact on IT could be direct, substantial, and immediate. IT can identify these potential **Direct IT Events** and impacts with little input from outside the department.
- **Events that impact IT indirectly, through other departments** – For example, imagine that the manufacturing division acquires five new plants from a collapsed competitor. Manufacturing will likely want IT to quickly integrate the new plants into our existing manufacturing systems. IT will often need input from other departments to identify and assess these possible **Indirect IT Events**.

Identifying Events that impact IT directly

One effective approach to identifying “direct IT events” follows these steps:

- a. Many CIOs will meet with their senior IT staff and explain the “Crisis Contingency Planning” process.
- b. They will ask their IT staff to meet with their departments and teams to identify potential “High Impact” IT events
- c. The CIOs will then review the suggested Events with their staff and select those that should be addressed.

Examples of possible direct IT events:

- Failure or acquisition of key vendors or suppliers including providers of hardware, software, or support services,
- Collapse or acquisition of communications providers including internet, high-speed data, web-page hosting, and more,
- Collapse or acquisition of a major “data exchange partner”,
- Reduction (or addition) of remote company computing locations,
- Company requirement to significantly changes staffing, or
- Company requirement for radical IT budget changes.

Identifying Events that impact IT indirectly, through other departments

Perhaps the most comprehensive and effective approach to identifying “indirect IT events” is to meet individually with the CFO and other senior executives to identify Events in their areas of responsibility that might have significant impact on IT.

Of course, all Business Upheaval events are not disasters. Some could be remarkable opportunities.

Examples of possible indirect IT events:

- A major Customer collapses or is acquired,
- A major Customer collapses or is acquired,
- A critical Vender/Supplier fails or is acquired,
- A key Distributor collapses or is acquired,
- The company's Banker fails or is acquired,
- The company's Landlord collapses or is acquired,
- Rumors about your company's viability begin to effect operations,
- Your company experiences significant reductions in sales or profitability,
- Your company or major segments of it are acquired, or
- Your company seeks bankruptcy protection.

When Merrill Lynch collapsed and was acquired, most of us wondered about the impact on their IT department. But the greatest impact of this acquisition was probably on the IT department at Bank of America, **the proud buyer**.

Examples of possible Opportunities events:

- A major competing company collapses,
- A major competitor withdraws from a major territory or market segment,
- Your company acquires companies, territories, product lines, equipment, etc.,
- Your company's transportation and shipping costs plummet, and
- Opportunities emerge to re-negotiate leases, purchase terms, and contracts.

Once likely areas of risk and opportunity are identified, we must analyze the probable impact of each event on IT.

Step 2. Impact Analysis

“Crisis Contingency Planning” will succeed only if we can accurately anticipate the **impact** of the Events on IT.

Defining the Impact of Each Event

To insure that we understand the impact of each Event, we must prepare a list of everything in the IT department that might be changed or effected by that Event.

These changes might include staffing, schedules, data availability, data structures, response time, new system processing capabilities, revised system features, and more.

Direct Event Example:

Example of Impact Analysis:

Direct Event: Budget cuts prevent acquisition of additional new servers

Impacts:

- Inability to support new manufacturing software
- Reduced intra-net response times
- Increased network down-time

Indirect Event Example:

Example of Impact Analysis:

Indirect Event: Dramatic increase in payment delays with credit customers

Impacts:

- Cash flow problems
- Collections Department requests new system capabilities:
 - “Real Time” Collections projections by product line or customer category
 - Customer account “Drill down” inquiry capability
 - Automated E-mail customer contact, response, and follow-up capabilities

Step 3. Action Planning

Once we have identified Threats and Opportunities and have analyzed their IT impact, we will create step-by-step Action Plans to deal with the situations, if they should they occur.

Action Planning Process

To insure that the Action Plans are complete and effective, we will:

- Examine each High Impact Event,
- Study each area of impact (change), and
- Devise steps that will allow us to address or manage the Event.

Example of Action Planning:

Direct Event: Budget cuts prevent acquisition of additional new servers

Impacts:

- Inability to support new manufacturing software

Actions:

- Explore feasibility of a manufacturing “SaaS” solution on the internet (Software as a Service)
- Gather and evaluate costs and considerations of used equipment
- Explore reducing other existing server functions in favor of Manufacturing

Step 4. Preparation

(Team, Training, and Materials)

The final step in “Crisis Contingency Planning” is Preparation. In other words, we must insure that the staff, tools, resources, and skills are available and adequately prepared to implement the Action Plans, should the need arise.

Preparation

This step might involve education, staff discussions, identifying the location and availability of “short term resources”, and more.

Example of Preparation:

Direct Event: Budget cuts prevent acquisition of additional new servers

Impacts:

- Inability to support new manufacturing software

Actions:

- Explore feasibility of a manufacturing “SaaS” solution on the internet (Software as a Service)

Preparation:

- Identify possible Saas vendor/sites
- Identify transition staff resources with requisite skills
- Plan and budget transition process

The Human Dimension

Of course, there is one more aspect to this thing we are calling, “Crisis Contingency Planning”... that is, the Human Dimension. The high-impact situations that we are describing don’t happen in a vacuum... and they don’t impact just companies and IT departments... they impact real people.

In times like these, people believe that they may lose their jobs, ...that they may lose their homes, they may work horribly long hours under terribly stressful conditions. Everything they have believed in and worked for and dreamed of... may disappear!

It is a time of almost unbelievable stress and fear and uncertainty and history shows us that during these times, people do things that they might never ordinarily do... the final “Threat” that we must consider... even plan for... is People.

History shows us that during times like these, our employees are much more likely to:

- Become severely depressed, give up or make erratic decisions,
- Perhaps become stressed, combative, even violent.

This is a time to plan, but it is also a time to pay attention to the warning signs that may be evident around us.

“Crisis Contingency Planning” and Time

Perhaps more than any other type of planning, “Crisis Contingency Planning” requires constant review and modification. As the nation’s economic situation evolves over the next 6 – 12 months, new risks and threats will emerge as others disappear.

Today’s business challenges demand a level of rapid response that can only be supported through effective, timely planning.

In Conclusion...

We now live in a world where some of the largest, best-known companies in the nation, can cease to exist “over the weekend”. It’s a business world where the speed of change has accelerated and our control of events has dissipated. And it is a business world where many will fail and disappear!

But other companies and their IT departments will survive and even thrive... and for most of these companies, the ability to plan for uncertainty and act on those plans might be the key to survival and success!

To succeed in today’s business world, we must be able to anticipate and accommodate the changes we might encounter, no matter how unexpected or unlikely... because in today’s world, who knows what next Monday morning will bring...!



Saince

Saince is a leading provider of IT services. They focus on providing cost effective support for short-term or emergency projects. They have skills and experience in areas that you can call-on when the need arises, without long-term commitments. Saince is also positioned to provide on-going support if internal head-counts or costs become an issue. We have experience that eliminates the need for long “learning curves”, and can provide critical, knowledgeable assistance to outsourcing projects or system integration projects.

Saince Inc. can be a key resource as you deal with the critical Business Upheaval and Recession driven issues of the next twelve months.

**For more information call: (888) 472 4623 or email info@saince.com
www.saince.com/crisis_planning**

