

## **In the spotlight: the human side of business continuity planning.**



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**Introduction**

The list of natural and manmade disasters with which businesses have had to contend early in the 21<sup>st</sup> century is long. Many organizations have felt the devastating effects of the September 11 terrorist attacks, acts of bioterrorism involving anthrax, and bombings in London, Madrid and Bali. The severe acute respiratory syndrome (SARS) outbreak, the South Asian tsunami and Hurricane Katrina also have had costly, far-reaching impacts on businesses.

Disruptions resulting from these and other disasters have rippled across supply chains, shaken entire industries and taken their toll on employee, customer and partner relations. Not surprisingly, organizations of all types and sizes are making crisis preparedness and response a key focus of their business continuity planning. Chances are, your organization is taking a proactive approach and continually looking at ways to minimize the impact that potential crises can have on your business processes and technology systems. Yet, even though your company's business continuity plan most likely serves to protect your company's physical assets, such as its data, network(s), core business applications and facilities, how well does it address the human side of disasters?

It's important to build resiliency into your business operations, but it's just as important to build resiliency into your human capital. One way to achieve human capital resiliency is to ensure that your organization has addressed the people-related components of business continuity planning. This paper outlines risks related to human capital resiliency that could arise in any crisis and provides a framework for addressing them. This paper is also designed to help you begin to assess how well your organization is currently prepared to handle the human dimensions of a disaster.

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**Highlights**

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***Human capital resiliency can be defined as an organization's ability to respond and adapt rapidly to threats posed to its workforce.***

***The current threat of a worldwide avian flu pandemic is driving new issues surrounding human capital resiliency into the spotlight.***

**Human capital resilience—a new area of focus**

Human capital resiliency can be defined as an organization's ability to respond and adapt rapidly to threats posed to its workforce. Organizations that can build resiliency into their human capital are more likely to protect their most valuable resources and maintain continuous operations in the event of a crisis. Many forward-thinking companies are already considering the impact of short-term interruptions in normal business activities and identifying appropriate actions to sustain vital business processes in the event of a crisis. They are also looking at long-term trends, such as changes in workforce demographics and customer buying patterns. While not anticipated to have immediate consequences, these trends could affect human capital resilience and other aspects of human capital management in the future.

The current threat of a worldwide avian flu pandemic is driving new issues surrounding human capital resiliency into the spotlight. Some recent projections suggest that avian flu could potentially infect millions of people over an undefined period of time. A recent United States Congressional Budget Office (CBO) report predicts that, in a severe pandemic scenario, 30 percent of employees would become ill, missing an average of three weeks of work. The report also projects that, of those who become ill, 2.5 percent would die.<sup>1</sup>

History shows that a pandemic flu threat is a rare but recurrent event. According to the CBO, there have been between 10 and 13 influenza pandemics globally since 1700, including three since 1900: Spanish flu in 1917–1918, Asian flu in

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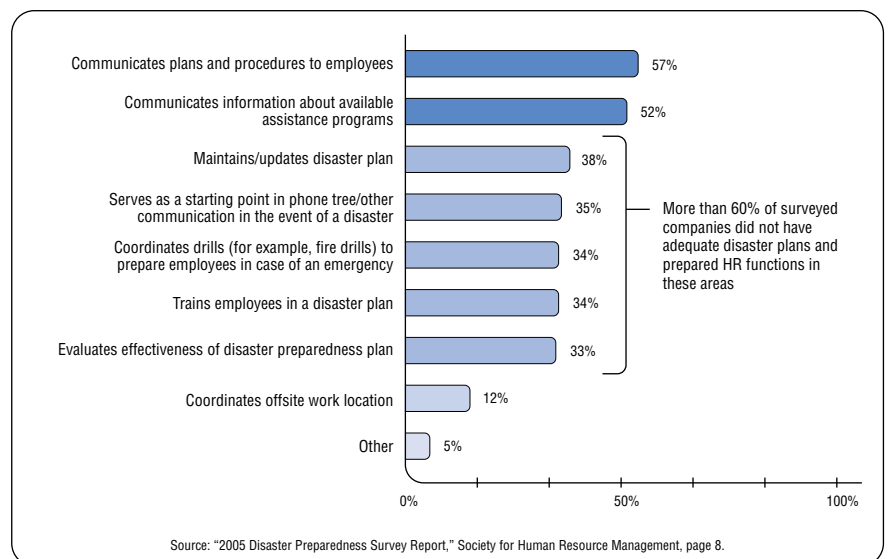
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1957 and Hong Kong flu in 1968.<sup>2</sup> It is too early to tell whether avian flu will lead to the next global pandemic, but as Gartner states:

What is known is that it is just a matter of time before another viral outbreak, either avian influenza or in another form, spreads globally, affecting business, people and economies worldwide. It is not a matter of if, but a matter of when.<sup>3</sup>

Although companies are beginning to look for ways to minimize the impact of a potential avian flu pandemic, few have fully addressed the human side of crisis preparedness. In a survey recently conducted by the Society for Human Resource Management (SHRM), only 34 percent of companies indicated that human resource (HR) issues formed a significant part of their organizations' business continuity or disaster plans. Thirty-six percent indicated that these issues were only somewhat part of their plans.<sup>4</sup> As the chart below indicates, SHRM has also found that human resource disaster recovery plans are often not comprehensive enough to meet the needs of employees and the business in a time of crisis.

**HR functions related to disaster preparedness**



***Recent research shows that few companies have fully addressed the human side of crisis preparedness.***

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**Highlights**

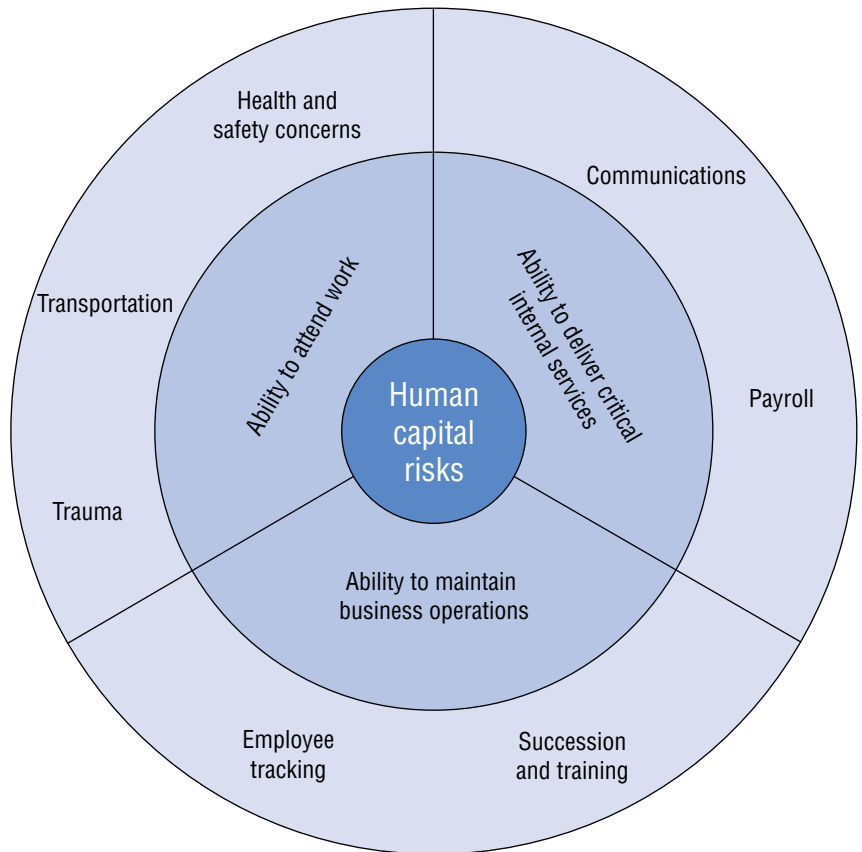
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***IBM has identified the primary risks related to human capital resiliency that could arise in any crisis.***

**Human capital risks in crisis situations**

In a crisis, many organizations will be challenged to safeguard and support employees while continuing to deliver the services needed to keep the business operational and revenue flowing. IBM has identified three primary areas in which human capital risks associated with crises can be grouped, as shown by the following graphic.

**Human capital risks associated with crisis situations**



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Highlights

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***Even if employees are willing and able to work through a crisis, they may simply not be able to get to their work location.***

Ability to attend work

*Health and safety concerns*

It's not a matter of if, but to what degree, employee attendance will be affected because of health and safety concerns during a disaster. Even employees who are not directly affected by a disaster may need to miss work to look after the health and safety of family members who are affected. In the event of a pandemic, attendance may be disrupted over longer periods of time. Also, if employees have lost or been displaced from their homes, they will need to spend time finding new housing, and some may even need to move to new locations.

*Transportation*

Employees who are willing and able to work through a crisis may simply not be able to get to their work location. Public transportation systems may be disrupted, as occurred during Hurricane Katrina, or international travel restrictions could be in force, as occurred during the SARS outbreak. Even smaller-scale disasters, such as transit strikes and blizzards, can significantly impact employees' ability to get to work.

*Trauma*

Employee shock and grief can also lead to increased absenteeism, as well as to higher turnover and reduced productivity. Proactive counseling may be required to help employees confront emergent issues – and enable them to address the crisis more rapidly, so they can focus on their work and tackle disaster recovery activities.

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***The inability to bring people together can significantly hamper the rapid decision-making needed during recovery efforts.***

***Limited access to critical personnel data, such as emergency contact information, user IDs and passwords, and individual skill sets, can affect your organization's ability to resume operations after a crisis.***

Ability to deliver critical internal services

*Communications*

Mobile phone, landline and other communications networks can be destroyed or become dysfunctional in a disaster, making it difficult to locate employees and share critical information with them. Further, if your offices or other facilities are unsafe to use or inaccessible to some individuals, employees who are used to working at the same location at the same time will find it more difficult to collaborate and tap into their existing social networks. Given the need for close coordination during a crisis situation, the inability to bring people together can significantly hamper the rapid decision-making needed during recovery efforts. Without normal communication channels, maintaining business relationships with customers and business partners may also be difficult.

*Payroll*

Maintaining payroll is both essential and challenging during and following a crisis. If your payroll system is inaccessible, funds are limited or the staff members who are responsible for payroll are absent, it's going to be difficult to pay employees in a timely manner. Employees may also need disaster relief funding, which requires coordination from a variety of sources.

Ability to maintain business operations

*Employee tracking*

Limited access to critical personnel data, such as emergency contact information, user IDs and passwords, and individual skill sets, can affect your organization's ability to resume operations after a crisis. If your organization cannot determine

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***If your company has not engaged in formal succession planning, individuals at all levels may be forced to take on leadership roles or increased responsibilities with little or no preparation.***

which employees have been impacted by the crisis or how, it will be difficult for decision makers to determine the company's next steps. Recovery efforts can be further hampered if your organization cannot locate key personnel or access core business systems, or has not identified or arranged for potential replacement workers.

*Succession and training*

Many times, organizational leaders are incapacitated or unavailable during or after a disaster. If your company has not engaged in formal succession planning, individuals at all levels may be forced to take on leadership roles or increased responsibilities with little or no preparation. Staffing issues can also emerge as a reduced workforce tries to cope with the demands of an increased workload. Skill gaps can also become a problem as workers try to carry out new jobs for which they have little training. In addition, crises may require changes in employee locations and schedules that are difficult to coordinate in a fast-changing environment.

**A people-focused approach to business continuity planning**

The responsibilities for effectively identifying and addressing the human dimensions of your business continuity plan stretch across the organization. The following framework is designed to help you address the critical aspects of preparing for and responding to the human side of disasters. As shown, some dimensions are frequently addressed by companies in their business continuity plans, whereas others are just starting to gain visibility.

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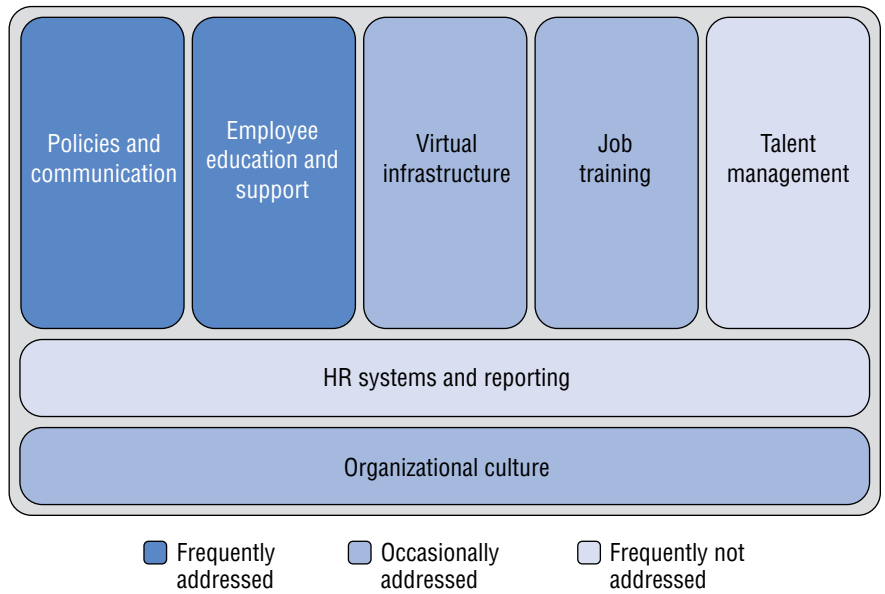
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**IBM has created a framework designed to help you address the critical aspects of preparing for and responding to the human side of disasters.**

**Identify and document ahead of time the policies and activities that will be most important to employees in a crisis.**

**Critical human capital dimensions of a business continuity plan**



**Policies and communications**

Your organization’s ability to respond in a timely, relevant manner to a crisis depends, in part, on how well it has identified and documented – ahead of time and as part of the overall continuity plan – the policies and activities that will be most important to employees. Consider how policies overseeing sick leave, travel and flex time, for example, can be adapted to apply specifically to times of disaster. Also, clearly define your company’s immediate response capabilities, roles and responsibilities, and outline a crisis communication strategy. Once a disaster hits, keep policy and situation updates clear and concise, and leverage as many different avenues of communication as you can, including voicemail, intranet sites, conference calls, and television and radio.

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***Invest in an education program to teach employees how to effectively prepare for and respond to different types of disasters.***

***Be prepared to provide critical support services, such as counseling, medical and health services, housing and temporary shelters, child care and supplies.***

Consider what the Oreck Corporation is doing to help lessen employee confusion during disasters. A card displaying two telephone numbers that will be activated in the event of a disaster is distributed to every employee. Employees can call the first number to leave a message with their location and the second number to join daily conference calls that will begin the day after the disaster.<sup>5</sup>

**Employee education and support**

Your organization should invest in an education program to teach employees how to effectively prepare for and respond to different types of disasters. Steps you can take include giving employees accurate, up-to-date information about disaster preparation, regularly updating and posting relevant policies and training employees to implement emergency procedures.

Also, develop a support network for employees. Decide what support services your company should and can offer, and then find appropriate providers to help you deliver them. Resources that your organization can make available during a crisis include counseling, medical and health services, housing and temporary shelters, child care and supplies. After a series of hurricanes in 2004, Health First, a group of nonprofit hospitals in Florida, provided employees with 24-hour child care, temporary housing, cash advances and transportation help. Recognizing the need to immediately address employees' shelter concerns, it also arranged to have fitted tarps placed on the damaged roofs of more than 300 employee homes.<sup>6</sup>

**Virtual infrastructure**

In the event that your employees cannot get to their primary work location (such as during a transit strike) or that they choose to work offsite (to avoid risk of infection during an epidemic), make it possible for them to work remotely. Adopting a virtual working environment requires that your company

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***Consider upgrading your organization's virtual working capabilities to include remote access and support, online tools and collaborative workspaces.***

***Cross-train employees on key skills and capabilities so they can take on new responsibilities, if needed.***

address specific technology and communication requirements, including providing remote access and support, online tools and collaborative workspaces. Your company must closely examine its processes to better understand how they can be executed in a virtual environment.

To address potential business disruptions, a number of companies are upgrading their virtual working capabilities. The IT department of the Bloomberg School of Public Health at Johns Hopkins University has enabled network administrators to remotely access PCs and servers, supporting the continuity of IT functions in the event of a disaster.<sup>7</sup> Aetna, a leading U.S. health insurance provider, is prepared to shift some of its operations to noninfected or less severely impacted areas and to allow employees to work from home using a remote online access system.<sup>8</sup>

Job training

It's important that your organization identify critical business processes and train appropriate personnel (including partners) ahead of time to execute disaster response plans. Consider using online tools and collaborative workspaces to develop and deliver "on demand" crisis response training materials. Also, cross-train employees on key skills and capabilities so they can take on new responsibilities, if needed. Foster mentoring between individuals where experiential knowledge is critical and hard to capture, and initiate job shadowing as an effective technique for building redundant skills between employees.

Talent management

Your organization should plan for replacements of key personnel by first identifying business-critical roles, such as those in which people hold important institutional knowledge, provide leadership or cultivate customer relationships. Then, identify sources of backup people in the case of an emergency.

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***Ensure that your organization's succession plans address the potential for both short- and long-term business disruptions.***

***Make sure that your business continuity plan covers your payroll and benefits administration systems.***

Your organization should consider engaging external business partners to provide short-term talent in situations where employees may not be able to work. A critical part of talent management lies in obtaining organizational buy-in regarding succession plans and leadership development programs, and ensuring that those plans address the potential for both short- and long-term business disruptions.

Make sure your organization is prepared to manage talent at all levels:

- *At the individual level, consider what competencies each employee needs to develop to perform at optimal levels on the job and to help ensure long-term career development.*
- *At the business unit level, make sure that your company identifies what competencies, organizational designs and support processes are required for the business to succeed.*
- *At the enterprise level, consider how talent pools need to evolve to help ensure that your company can execute its business strategy and gain competitive advantage.*

**HR systems and reporting**

Your HR department should be prepared to deliver core services during a crisis, as well as to monitor and report on the locations of displaced workers. Make sure that your business continuity plan covers your payroll and benefits administration systems, and that it identifies individuals who can be called on to support both recovery efforts and ongoing operations—and provides their contact information. If you outsource critical HR processes to third-party providers, make sure that they, too, are prepared to deal with crises.

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***Determine how your company's intranet and other communications technologies can be used to their full advantage for disaster preparation and response initiatives.***

***Ultimately, preparing for effective disaster response is the responsibility of every individual in your organization.***

Also, determine how your company's intranet and other communications technologies can be used to their full advantage for disaster preparation and response initiatives. IBM, for example, has an internal system in place that will allow it to quickly locate and schedule backup talent with critical skills and capabilities in a crisis. In addition, the company has an online communications and learning platform designed to help employees quickly find information and take classes to acquire new and necessary skills.

**Organizational culture**

Ultimately, preparing for effective disaster response is the responsibility of every individual in your organization. Your company should work to instill your organizational culture with the values and behaviors that would be beneficial in disasters. Assess how well your company promotes trust, teamwork, flexibility and other key qualities; then develop internal programs to strengthen your culture in areas where it is weak. Also, consider allowing employees to nominate colleagues to act as points of contact and change agents in times of crisis.

**Are you prepared?**

To help your organization fully address the human side of business continuity planning, ask yourself the following questions:

- *Does our organization have critical policies identified and alternatives designed specifically for use during a crisis?*
- *How will our employees receive critical information in the event of a crisis?*
- *How will employees communicate with colleagues to keep the business running?*
- *Have we provided the right preparatory advice to employees in the event of a crisis? Is it kept up to date?*

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**Highlights**

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- *Are we able to provide immediate support to our employees and their families if a crisis were to occur? What kind of support would we provide?*
- *How is critical job training being rolled out so that personnel gaps can be filled or capabilities outsourced to business partners at a moment's notice?*
- *Do we have short- and long-term succession plans for critical management and operations roles?*
- *How should our resource plans and sourcing strategies change to accommodate crises?*
- *What plans are in place to provide critical services?*
- *How can our HR systems be used to locate and redeploy critical resources during a crisis?*
- *What components of our organization's culture do we believe will support or hinder individuals in the event of a crisis?*

***Your organization's business and IT leaders must work together to build resiliency into your human capital.***

And if you are an IT leader, ask yourself these questions as well:

- *In the event of a disaster, will our company be able to keep critical communications systems up and running?*
- *What can we do to establish and optimize a virtual infrastructure, so employees can work effectively in remote locations if required?*
- *Do our third-party providers have business continuity plans to ensure that critical systems, reporting and processes can operate during a crisis?*
- *Can our company provide crisis response materials and training on demand?*

Remember, it's rarely business as usual after a disaster. The effort your organization makes now to protect your human capital resiliency in the event of a crisis will go a long way in helping it – and your people – recover after the worst is over.

**For more information**

As a leader in business continuity and resiliency services and human capital management services, IBM Global Services can provide you with additional insights on addressing the people-related components of business continuity planning. For more information, contact your IBM sales representative or visit the following sites:

IBM Business Continuity and Resiliency Services:

**ibm.com**/services/us/index.wss/itservice/bcrs/a1000411

IBM Human Capital Management Services:

**ibm.com**/services/us/bcs/html/bcs\_humancapitalmgmt.html

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