

Risk management - tips to plan a strategy

Surfing the net recently I discovered the website www.australianbusiness.com.au which is well worth visiting for good business tips. Australian Business have kindly permitted me to reproduce the following article about risk management.

As we become more dependent on computer technology in today's business climate, losing access to your computer files can have disastrous consequences, regardless of the size of your organisation.



While interruption and recovery due to physical loss may be covered through Property and Business Interruption insurance, loss of data, software or communications requires some early and careful planning. Without access to these elements your ability to carry out basic customer service could come into question, resulting in growing customer dissatisfaction.

Regardless of whether your business disruption is computer related or not, you should have a well-prepared plan to deal with unforeseen circumstances. This is known as a business continuity or disaster recovery plan. The ultimate objective is to allow your business to respond quickly, ensuring the impact of disruption is minimised.

Tips to help you plan:

Map out your core activities: Identify areas where there are dependencies and consider alternative ways in which operations may be carried out in the event of disruption. For example, are there long lead times for re-ordering stock? What machinery or equipment are you reliant on and how long would it take to source replacements?

Identify roles and responsibilities: Identify the key people within your organisation and their roles in the event of a disruption. For example, who will contact other members of staff and customers in the event of a fire? Or who is responsible for maintaining the 'back up' of computer files off the premises?

List key internal and external contacts: This should include customers and suppliers as well as staff. Ideally you should keep a copy of this list in a secure off-site location in the event of access being denied to your premises as a result of fire, etc.

Think of ways in which disruption may occur: Brainstorm possible scenarios, assess the likelihood of such an event and match against the severity of implications. Consider how you might respond, or the measures you would put in place to minimise impact and maintain operations.

Back up critical computer files or programs: Make copies of important files and regularly update these copies, for example customer databases and accounting records. Again, it is prudent to keep an extra copy in a secure off-site location in the event you are unable to gain access to your normal business premises.

Identify an alternative temporary location: If you are prevented access to your normal premises for any prolonged period of time, you should have alternative arrangements from where you could continue your business activity if need be. For example, many organisations that rely heavily on telephone contact and customer response units typically enter into contractual arrangements with external organisations.

Learn from your experiences: Note the frequency, impact and how you managed to overcome the disruption. Ensure that any procedures are revised and updated as a result of the experience gained. It is also valuable to keep a record of any expenses as this will be required for validating an insurance claim.

Take out adequate business insurance: In particular look at: the covers required for your business, adequacy of sums insured, exclusions, deductibles and excesses. Finally, consider package policies as they generally cover the major property and liability exposures, as well as loss of income. Package policies, if chosen correctly, could provide more complete coverage for your type of business at a lower price than purchasing policies individually with different insurers.

"We'll deal with it when the time comes" or "it won't happen to us" are comments that are not worth much when you are facing a crisis. A well-prepared continuity plan will provide comfort and allow unexpected disruption to become manageable. Even with comprehensive insurance cover in place, there is no substitute for a well-considered, tried and tested business continuity plan. Moreover, if you can prove to your insurer that you have considered many of these issues you could benefit from reduced premiums.

Business Interruption insurance, which helps to financially support you from loss of income following insured damage and the increased costs of getting you back on your feet quickly, can be a key component of your recovery strategy. Look for an insurer with a response unit enabling them to act quickly and most importantly of all, with an attitude of 'how do we get you back on your feet quickly?'

Cheers

Cam Charlton - Director

KLEINHARDT
BUSINESS CONSULTANTS
cam@kleinhardt.com.au