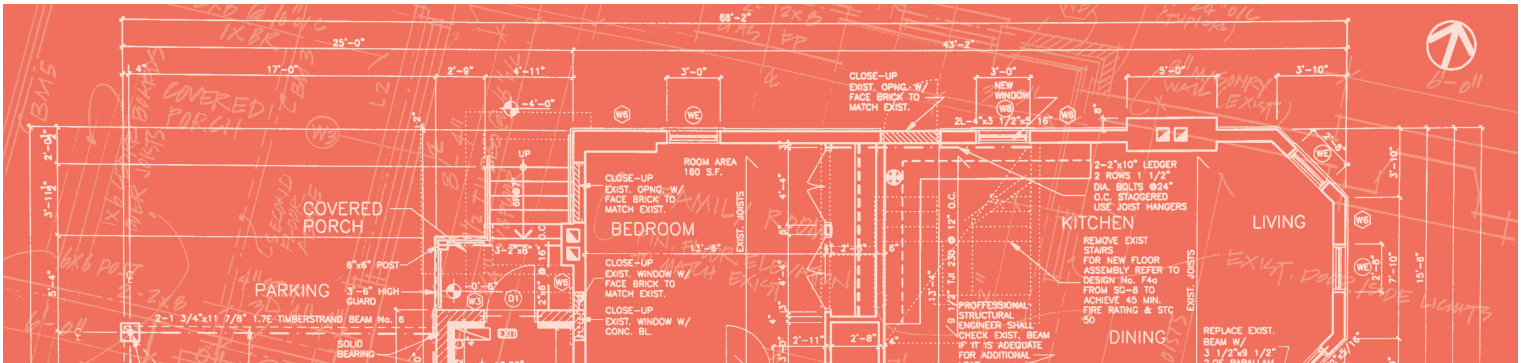


Fail to Prepare, Prepare to Fail

Business Continuity Management in the Food Industry



Business continuity (BC) systems exist to manage catastrophic events that can severely affect the ability of an organization to supply products/ services to their customers. **ISO 22301**, the international standard for business continuity defines **BC** as the capability of an organization to continue delivery of products or services at acceptable predefined levels following a disruptive incident.

Businesses across all sectors and industries face many similar potential incidents or events including, but not limited to:

- significant workplace accidents
- negative media campaigns
- market upheavals
- power/fuel outage
- loss of IT/telecommunications infrastructure (connectivity, server crash, viruses)
- transport infrastructure issues
- supply chain breakdown/disruptions
- loss of employee base

Organizations in the food chain face additional, industry-specific issues and challenges that increase the complexity of business continuity management:

- Securing safe and alternative supply of raw materials and key ingredients from multiple suppliers
- Traceability in the event of reputational risk issues
- Food fraud incidences in the supply chain
- Managing the press and social media after serious events (product recalls, on-site accidents, environmental incidents)

Consumer trust and loyalty that can take years to build can be lost quickly when events of this nature occur. And a large proportion of businesses closed by such an event are unlikely to re-open. As an example, approximately 93% of companies that lost their data center for 10 days or more due to a disaster, filed for bankruptcy within one year of the disaster.¹

1. National Archives & Records Administration in Washington.

2. Peck, H Dr. 2006. Resilience in the Food Chain: A Study of Business Continuity Management in the Food And Drink Industry. DEFRA Report, Cranfield University, Shrivenham.

In this fast-moving world, where information is transferred with the click of a finger and is more readily accessible, manmade events continue to be a primary threat to business continuity. Food fraud, supply chain complexities and intentional adulteration are also prominent threats to the food sector. How these issues impact the sector changes at a pace that can be difficult for food organizations to match. And, both manmade and natural disasters may not necessarily have to occur at an organization's location to have catastrophic impact.

Business continuity management in the food and drink industry

Business continuity is both a rising discipline and growing concern within the food and drink industry. **BC Management (BCM)** is still a relatively new concept for most organizations within the food industry with few companies having moved beyond reactive crisis management to a proactive or preventative approach. Resource constraints (money and staff) and lack of expertise are slowing **BCM** implementation. Companies can be reluctant to prioritize investments in costly preventative or redundancy measures within their operations to manage 'what if' scenarios over known business issues.

The emphasis of **BCM** changes across sectors, reflecting the core activities and commercial concerns of each.

- Larger retailers are inherently resilient because few of their assets are mission critical. Their networks can withstand the loss of any one store and any one product supplier without significant disruption to operations. Their distribution centres, head offices and service suppliers are more likely to create single or significant points of failure. However, retailers' principal asset and concern is their brand reputation. For all

other eventualities (barring fuel shortages), retailers look to their suppliers to provide cover as their first contingency option, expecting their suppliers to hold redundant capacity/capability and provide the logistical flexibility to meet exceptional circumstances. In the case of fuel shortages the position is reversed.

- Small retailers have amicable relationships with their wholesalers and look to them for supply chain continuity.
- Logistics service companies are engaged in BCM on an ad hoc basis, depending on whether their clients are willing to pay extra for continuity planning. Their critical assets are skilled employees.
- Food processors and packagers are in a more precarious position. Their efforts centre around protection of key assets because their operations are dependent on a few capital-intensive facilities. Some make no distinction between everyday operations, risk management and BCM. Manufacturers tend to rely on their ability to 'flex' production across sites as their main form of contingency. However, most conceded that the redundant capacity that provides the basis of this strategy is being steadily eroded by the pressure to reduce costs and optimize asset utilisation. Sites are being closed, consolidated and moved off-shore, at which point the risk profiles for their operations change; the principal dependencies switch from manufacturing sites to transport, communications and the supporting infrastructure².

Many organizations engage BCM out of enlightened commercial self-interest. Best practice BCM encourages them to take action to maintain the mission critical activities and assets of their organizations, under an expectation of otherwise normal external circumstances. They see the purpose of BCM as protecting the well-being of customers, employees and shareholders.

Business continuity standards and compliance

The management of BC falls largely within the spectrum of quality and risk management with some crossover into related fields such as governance, information security and compliance. Risk management is an important tool for business continuity as it provides a structured way to identify potential sources of business disruption and assess their probability and harm. All business functions, operations, supplies, systems, relationships etc. that are critical to achieve the organization's operational objectives are analyzed and included in the business continuity plan (BCP). Business impact analysis is the generally accepted risk management term for the process of analyzing the impact over time of a disruption, to help drive priorities, planning, preparations and management BC activities.

One important way to achieve business continuity is the use of international standards. These standards ensure that proven methods and concepts for BC are used. However, in addition to meeting the requirements of standards, a business continuity plan should also include additional activities:

- identifying relevant potential disasters
- developing evacuation programmes
- procuring spare machines and servers
- performing data backups and arranging off-site storage
- regularly evaluating effectiveness of your supplier procurement methods
- provisions for supplier communication and engagement
- provisions for running the business remotely
- assigning responsibilities for specific activities
- performing drills
- educating employees
- improving vigilance across an organization

As these tasks likely require both human and financial resource, a commitment by senior management to make business continuity a top priority and assign people to work on it remains the most important step in establishing BC.

Sector specific: Global Food Safety Initiative standards

The need for formalized business continuity systems in the food industry has been driven by several **Global Food Safety Initiative (GFSI)** standards including the **BRCGS Global Standards** and **Safe Quality Food Initiative (SQFI)**. The requirements set out in these standards are generic as every organization is different and faces different issues in maintaining business continuity.

GFSI standards dictate requirements for organizations to set up **BC** plans that logistically guide organizations to recovery and restoration of critical functions, within a predetermined time, following an extended disruption (crisis/disaster).

The building blocks of developing a relevant and effective **BC** plan include the following:

- **Process driven by senior management**
- **Nomination and training of a BC management team (includes roles, responsibilities and interactions)**
- **Complete risk assessment of potential threats to the organization**
- **Development and implementation of an effective BC Management Plan that reduces the probability of incidents and action-based plans to respond to and recover from relevant crisis situations.**
- **Specific data and actions include:**
 - Contact details for key personnel
 - Key resource providers details, including utilities
 - Details and contacts of relevant internal / external stakeholders and authorities
 - Sources of legal and expert advice
 - Supplier profiling and traceability
 - Prioritization of tasks during and post crisis
 - Assigning responsibility for internal and external communications
 - Provisions to test plan(s) on an annual basis

Non-sector specific: ISO 22301 Business Continuity Management

ISO 22301 helps organizations put business continuity plans in place to protect and help them recover from disruptive incidents. It also helps identify potential threats to businesses and to build the capacity to deal with unforeseen events. It protects businesses and their reputations and keeps them agile and resilient minimizing the impact of unexpected interruptions.

As with other **BC** standards, because of the level of resource required to properly implement effective business continuity, top management is required to develop and continually improve the **BCMS**, make resources and training available and employees must understand the **BCMS** policy and their roles and responsibilities in relation to it.

Aligned to the ISO high-level structure (HLS), key requirements focus on, the requirements of the **standard** lead organizations to consider:

- **Context of the organization** – a high-level, strategic understanding of the important issues that can affect, either positively or negatively, the way the organization manages its business continuity management system
- **Leadership** – the importance of an organization's top-level management being involved in the **BCMS** and their roles and responsibilities
- **Planning** – the evaluation of risks and opportunities, the objectives of the **BCMS** and the development of a plan to achieve the objectives and the planning of future changes to the management system
- **Support** – the identification of the necessary resources needed to plan, maintain and improve a **BCMS**
- **Operation** – the selection and implementation of business continuity strategies and solutions, and the execution of the plans and processes that are referenced in previous clauses
- **Performance evaluation** – the need for proper monitoring, measurement, analysis and evaluation of the **BCMS**
- **Improvement** – determining ways the **BCMS** can be improved and how to implement the actions to achieve its intended outcomes

Key factors for the successful implementation of a BCP

Senior management commitment

- A top-down multidisciplinary team is imperative in order to develop a complete and beneficial plan

Effective risk assessment of

- Issues critical to the organization and its customers
- Threats and vulnerabilities unique to your product, ingredients, processes and supply chain, to identify potential impacts that threaten an organization and provides a framework for building resilience and effective responses
- Potential risk factors or compromising situations through drills or exercises to help prevent reactive management of a disaster in response to a customer complaint or media (social or otherwise) scandal

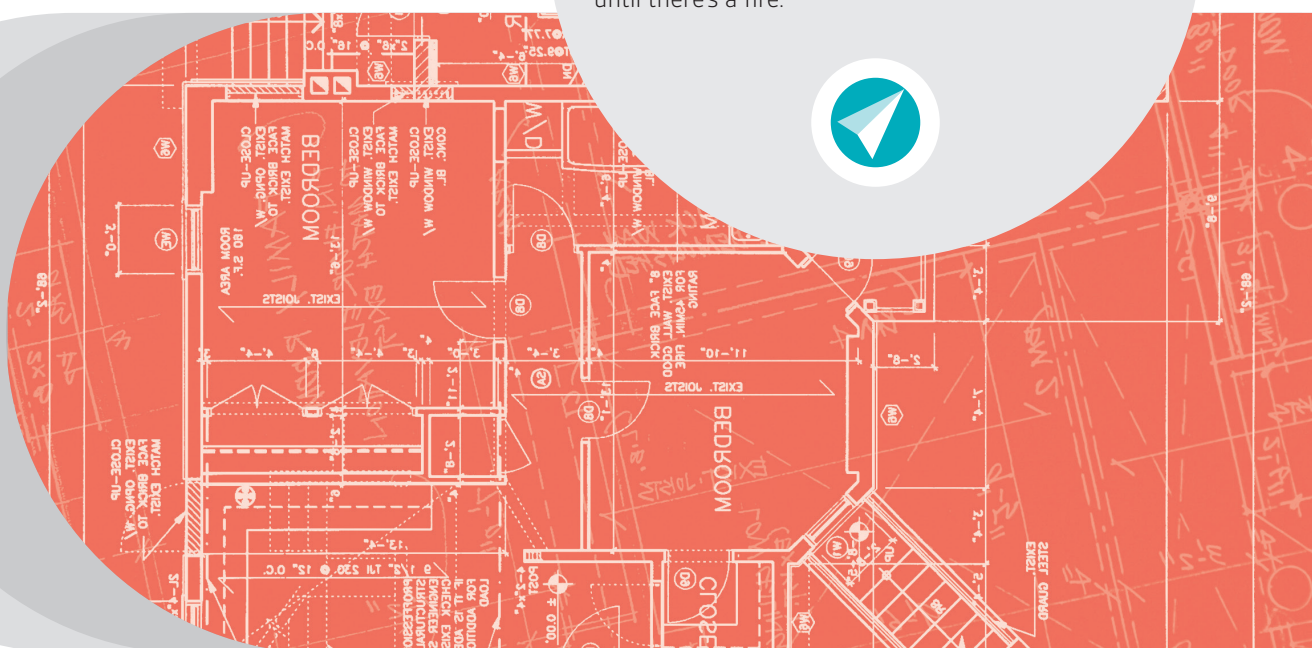
Looking forward

To say the food industry changes quickly is stating the obvious. Key drivers of change are the globalization of supply chains, increasing use of—and access to—various technologies/information and ever-changing consumer habits. Current areas of industry focus include:

- Personalized diet and nutrition programmes
- 'Pure', 'fair' and 'eco-friendly' product demand
- Increasing product demand in developing countries
- Time and energy reduction technologies
- Overseas domination of the grocery market
- Ascertaining the reliability, trustworthiness, ethics and values of existing and potential suppliers

The future of **BCM** in the industry is intrinsically tied to the evolution of these trends and the new ones that will overtake them in the months and years to come. While putting a stake in the ground and implementing **BCM** takes a significant amount of resource and commitment, training the right people to follow the right processes builds resilience. Food and drink producers, manufacturers, transporters and retailers already engaged in **BCM** will be better positioned to mitigate the potential risks to their operations while also protecting their customers, profitability and brand.

Organizations that prioritize other areas of the business may never regret their decision. They may never encounter supplier disruptions, weather-based disasters or unscrupulous suppliers. But, just like fire insurance, it's value isn't fully appreciated until there's a fire.



Why BSI?

BSI believes the world deserves safe, sustainable and socially responsible food. We offer a broad range of certification and risk management services to help organizations in the food and retail supply chain mitigate risk, protect their brands and build resilient supply chains.

With 90 offices around the world, we are a leading food safety and certification provider with the capacity and capability to provide integrated services for a wide range of food safety and business improvement standards across the entire food and retail supply chain; including GFSI-recognized standards.



Our products and services

Knowledge

The core of our business centres on the knowledge that we create and impart to our clients.

In the standards arena we continue to build our reputation as an expert body, bringing together experts from industry to shape standards at local, regional and international levels.

Assurance

Independent assessment of the conformity of a process or product to a particular standard ensures that our clients perform to a high level of excellence. We train our clients in world-class implementation and auditing techniques to ensure they maximize the benefits of standards.

Compliance

To experience real, long-term benefits, our clients need to ensure ongoing compliance to a regulation, market need or standard so that it becomes an embedded habit. We provide a range of services and differentiated management tools which help facilitate this process.

For more information on improving your organization's food safety culture, visit [bsigroup.com/en-au](https://www.bsigroup.com/en-au) or email info.aus@bsigroup.com