

Business Continuity Exercise – Instructions to Facilitator



Overall time 90 mins : 50 mins for Stage 1, 40 mins for Stage 2

Introduction: Stage 1 – BUSINESS CONTINUITY - 10 mins:

- Handout pages 1 to 4 for audience to read during introduction
- Display and discuss pages 1 and 4 to introduce Chow Tools

BIA exercise (Business Impact Analysis) – allow 10 mins before scenario interjection

- Handout page 5 – provides partially completed BIA worksheet
- Request completion of the BIA worksheet matrix with Product Volume dependency and GP % BC exercise (Business Continuity) – scenario interjection – allow 15 mins further

• Scenario interjection – fire loss scenario

• Handout page 6 – provides Comms/Continuity/Recovery options worksheet

• Request completion of the worksheet with BRIEF bullet points of options in three columns BIA/BC Feedback – allow 15 mins

• BIA exercise – one or two points per table – round robin for 5-7 mins

– Which Building/Activity has the highest % GP impact? Which would be most difficult to replace?

• BC exercise – one or two points per table – column by column – round robin for 5-7 mins

– What are primary objectives of Communications, Continuity and Recovery measures?

Introduction : Stage 2 - SUPPLIER CONTINUITY – 2 minutes

• Handout pages 7 and 8 for audience to read during introduction

SIA exercise (Supplier Impact Analysis) – allow 10 mins before scenario interjection

• Handout page 9 – provides partially completed SIA worksheet

• Request completion of the SIA worksheet matrix with Product Volume dependency and GP %

SC Exercise (Supply Continuity) – scenario interjection – allow 15 mins further

• Scenario interjection – Supplier loss scenario

• Handout page 10 – provides Comms/Continuity/Recovery options worksheet

• Request completion of the worksheet with BRIEF bullet points of options in three columns SIA/SC Feedback – allow 15 mins

• SIA exercise – one or two points per table – round robin for 5-7 mins

– Which Supplier has the highest % GP impact? Which would be the most difficult to replace?

• SC exercise – one or two points per table – column by column – round robin for 5-7 mins

– What are primary objectives of Communications, Continuity and Recovery measures?

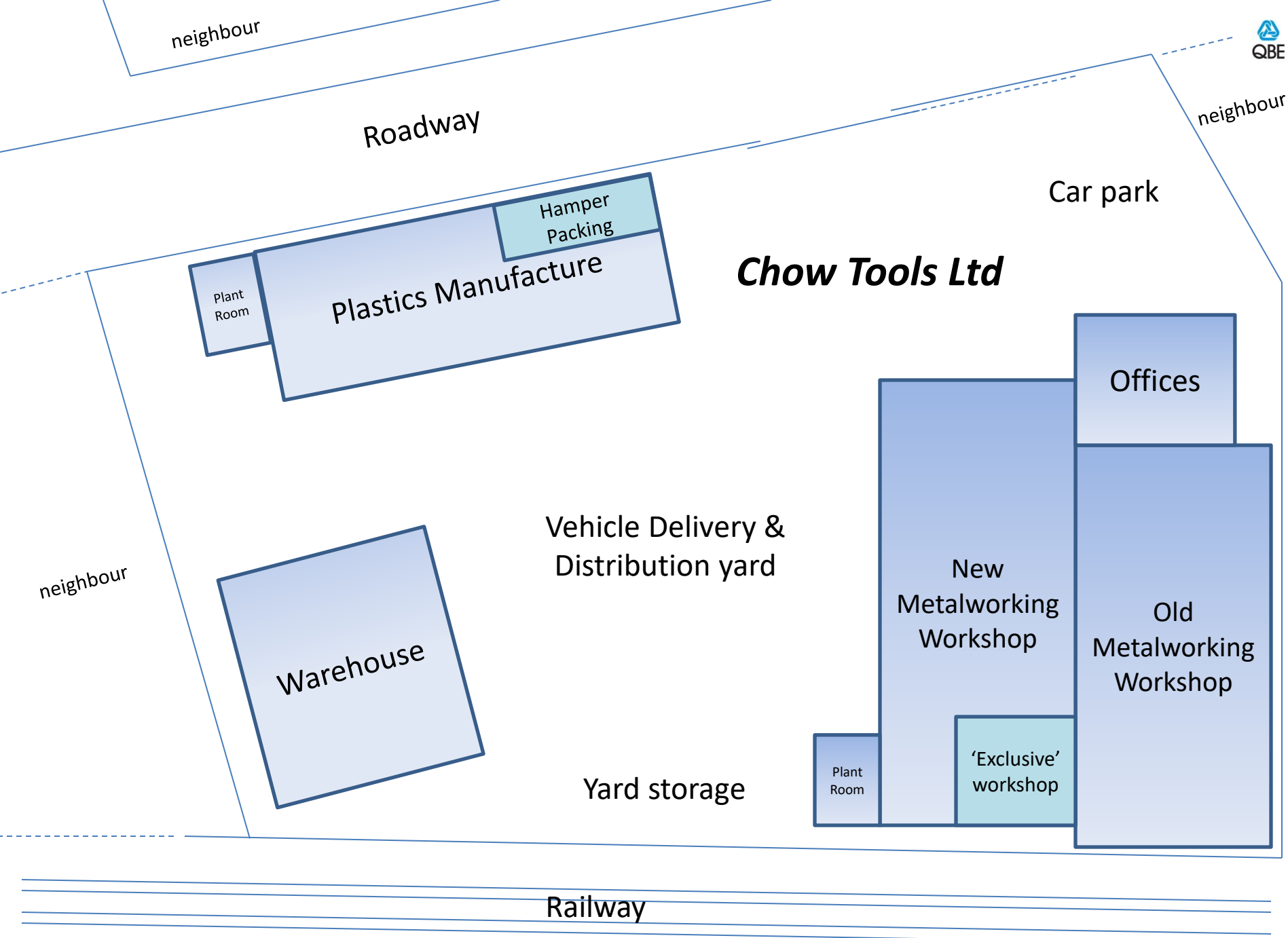
Model Answer pages:

• Page 11 – BIA Answer page

• Page 12 – BC Answer page

• Page 13 – SIA Answer page

• Page 14 – SC Answer page



Market Sectors by number of Units

Military	50% 30% metal, 20% plastic	Senior military branches as well as the various Cadet movements (Army Cadets, Sea Cadets, Air Cadets)
Adventuring	30% 15% metal, 15% plastic	Boy Scouts, Girl Guides, Venture Scouts, Boys Brigade etc.
Leisure	20% 5% metal, 15% plastic	Picnic products, camping kits and hamper packages, also party sets and disposables.

CHOW TOOLS LTD – PRODUCTS, REVENUES & PROFITS

- A medium-sized Midlands based manufacturer, employs 27 staff, 22 of which are on the shop floor.
- Founded by Mr Chow in 1963 at this site, manufacturing metal cutlery and tableware for the military and the ‘adventuring’ sector
- Original building was expanded in 1978 to double the size of the metalworking workshop and upgrade equipment specs – aim was to produce better quality products for the leisure and party sectors.
- In 1997 when the two oldest sons took over running the business they moved into plastics. A new plastics manufacturing workshop was constructed on site, as was a larger warehouse.
- Now produce 12 million Units per year. One Unit is one item of cutlery i.e. one knife, fork or spoon, or one plate, dish or cup.
- The modern preference for disposable means the plastic Units sell at higher Unit rates and larger % mark-ups.
- One area of expansion developed since 2010 in the Leisure sector is the ‘hamper’ market. Standard hampers split approximately 50/50 between metal Units and plastic Units, with mixed content. Except for the ‘Exclusive’ range which are high quality metal products made in a dedicated workshop and are only sold in the hampers.
- Annual Sales have crept towards £6m in recent years and for this year the projection is:
 - £6m Revenues
 - £3.6m Gross Profit.
- A wide range of different types of each Unit are made but in simple terms they target four categories of quality:
 - Handy (basic)
 - Homely (medium quality)
 - Party (superior quality)
 - Exclusive (special quality for ‘top-end’ hampers only)
- Buffer stocks held in the warehouse average 5 days for all products in the summer months, except hampers which are delivered to customers direct from the Hamper Packing shop, with no buffer stocks held on site.
- The factory operates 2 shifts, 16 hours a day, 5 days a week, and occasionally Saturday morning or Sunday night.

CHOW TOOLS LTD – Production Volumes, Revenues and Profits projected for this year

Units	Volume p.a.		Revenue p.a.	GP p.a.
Metal Units	6 million	50%	45%	40%
Plastic Units	6 million	50%	55%	60%
Ranges				
Handy Range	6 million	50%	35%	25%
Homely Range	4 million	33%	35%	35%
Party Range	1.88 million	16%	25%	30%
Exclusive range	120,000	1%	5%	10%
Hampers				
Standard Hampers (av. 20 Units/hamper – Handy, Homely or Party)	12,000	2%	4%	4%
...plus: Exclusive hampers (50 Units/hamper)	2400	1%	5%	10%

CHOW TOOLS LTD – Business Impact Analysis – Product Group by Building/Activity

Product % Dependency & GP %	Plastics 60% GP	Metals 40% GP	Hampers 14% GP	Notes
Metal Workshops				
Plastics Manufacture				
Hamper Packing				
Warehouse				
Offices				

CHOW TOOLS LTD – Business Disruption Response

Business Disruption SCENARIO:

- Fire loss to Plastics Manufacture Building – 100% loss of building and contents
- Loss of plastics production (plastics = GP 60%) and Hamper Packing (hampers = GP 14% made up of 12% metals, 2 % plastics)

Activity so far:

- Emergency Response began immediately by Fire Team on discovery of the fire
- Incident Management began within 10 minutes by Factory Manager who escalated notification to the Board

Your task:

- Who should be contacted as part of the Crisis/Incident Communications activities?
- What business continuity options should be considered to maintain supplies to customers?
- What business recovery option should be considered to re-establish the lost capabilities?

Communicate with?

Continuity options?

Recovery options?

CHOW TOOLS LTD – PACKAGING & PACKAGING SUPPLIERS

- All products are packaged in card board boxes for distribution unless they go into hampers
- The hampers themselves all come from one supplier, HH Ltd (Happy Hampers Ltd)
- Individual packaging for the products is done as follows:
 - Handy – cellophane (50%) and PE plastic bags (50%), stick on labels – automatic in-line packaging
 - Homely – shrink wrap (50%) and PE plastic bags (50%), stick on labels – automatic in-line packaging
 - Party – plastic knapsack style carriers with tag labels – hand packed and hand tagged
 - Exclusive – fabric knapsack style carriers with tag labels – hand packed and hand tagged
 - Hampers – hand packed with food items from 3rd parties, tied closed and hand-tagged
- The ‘standard’ hampers are sold only into the UK market. Although different sized hampers are sold with different mixes of metal and plastic products, on average 20 Units are included in each ‘standard’ hamper pack. The UK summer drives seasonality and 75% of sales occur in April to September each year.
- The ‘Exclusive’ hampers are so popular that pre-orders run 6 months ahead from across the world. They are sold or gifted in a wide range of up-market holiday destinations, up-market hotels, cruise ships, airlines and up-market retailers on-line and on the high street. Each ‘Exclusive’ hamper comes with 50 Units of high-spec metal cutlery and tableware. Although there is some summer-related seasonality, the global reach makes the production profile reasonably flat at the factory.
- Where dual suppliers are established, their products are identical and are used for packaging the Chow Tools products in proportion to the % supplied. Therefore the immediate impact of one supplier shortfall is also proportionate to the % supplied.



CHOW TOOLS LTD – PACKAGING & PACKAGING SUPPLIERS

Packaging & Suppliers	Cellophane	Shrink Wrap	PE Plastic Bags	Plastic knapsacks	Fabric knapsacks	Card boxes	Hampers
Wrap-it-Qik	✓ 100%	✓ 50%					
Bag-it-Up		✓ 50%	✓ 50%				
Take-a-Knap			✓ 50%	✓ 100%	✓ 100%		
Box-it-In						✓ 100%	
HH Ltd							✓ 100%

CHOW TOOLS LTD – Supplier Impact Analysis – Product Range by Packaging Supplier

Product % Dependency & GP %	Handy 25% GP	Homely 35% GP	Party 30% GP	Exclusive 10% GP	Notes
Wrap-it-Qik					
Bag-it-Up					
Take-a-Knap					
Box-it-In					
HH Ltd (Hampers)					

CHOW TOOLS LTD – Supply Chain Disruption Response

Supply Chain Disruption SCENARIO:

- Take-a-Knap went into Receivership yesterday – Administrator won't release any finished product, raw materials, tools , drawings
- Potential loss of ability to pack 25% of Handy and Homely products, also 100% of Party and Exclusive products

Activity so far:

- No Emergency Response required
- Incident Management began immediately by Procurement Manager who escalated notification to the Board

Your task:

- Who should be contacted as part of the Crisis/Incident Communications activities?
- What supply chain continuity options should be considered to maintain supplies to customers?
- What supply chain recovery option should be considered to re-establish the lost capabilities?

Communicate with?

Continuity options?

Recovery options?

CHOW TOOLS LTD – Business Impact Analysis – Product Group by Building/Activity

Product % Dependency & GP %	Plastics 60% GP	Metals 40% GP	Hampers 14% GP	Notes
Metal Workshops	0 % Dependency 0 % Gross Profit	100 % Dependency 40 % Gross Profit	c.67 % Dependency 12 % Gross Profit	Dependency for Hampers: 58.3% based on number of hampers (50% of Std + 100% of Excl = 8400/14400) or 66.7% based on number of Units (50% of Std + 100% of Excl = 240k of 360k) 52% total GP impact for Metal Workshops
Plastics Manufacture	100 % Dependency 60 % Gross Profit	0 % Dependency 0 % Gross Profit	c.33 % Dependency 2 % Gross Profit	Dependency for Hampers: 42.7% based on number of hampers (50% of Std = 6000/14400) or 33.3% based on number of Units (50% of Std = 120k of 360k) 62% total GP impact for Plastics Manufacture (or 74% if include Hamper Packing)
Hamper Packing	0 % Dependency 0 % Gross Profit	0 % Dependency 0 % Gross Profit	100 % Dependency 14 % Gross Profit	Delivering hampers to customers depends 100% on Hamper Packing . Also, by default, is 100% dependent on the Plastics Manufacture building being there because of current location of Hamper Packing. 14% total GP impact for Hamper Packing
Warehouse	50 % Dependency 0 % Gross Profit	50 % Dependency 0 % Gross Profit	0 % Dependency 0 % Gross Profit	Warehouse provides 5 days buffer stocks to save some loss of GP. No direct impact on creation/disruption of GP other than being a cost component.
Offices	100 % Dependency 0 % Gross Profit	100 % Dependency 0 % Gross Profit	100 % Dependency 0 % Gross Profit	Offices used by Management, Sales, Procurement, IT, Invoicing etc., all required to achieve delivery of products to customers and to collect Revenues/GPs . No direct impact on creation/disruption of GP other than being a cost component.

CHOW TOOLS LTD – Business Disruption Response

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Communicate with?

Short term:

- Emergency Services (co-ordination)
- IMT Leader (status, extent, impact)
- Crisis Management/Comms Team (decision making, Command & Control)
- Employees (Direction & status updates)
- BC team leaders (heads-up)
- Suppliers (halt deliveries)
- Neighbours (explanation, apologies)
- Media (explanation, assurances, plans)
- Brokers/Insurers (notification)

Mid-term:

- BC Team Leaders/BC Teams (Direction)
- Building (demolition, clearance, re-build)
- Equipment (replace, install, commission)
- Suppliers (re-direct deliveries)
- Customers (potential delays/shortfalls)
- Local Authorities (permissions)
- EA/HSE (explanations, permissions, plans)
- Media (assurances, plans, promotions)
- Insurers (Loss Adj., Claims Assessors, RS)

Continuity options?

- Buffer stocks – deliver to priority Customers until buffer exhausted
- Continue metal-only production to meet Customer orders – individual & hampers
- Set-up alternative hamper packing area in Metal Workshop or rent temporary building to place in yard or rent nearby empty unit.
- Utilise maximum available capacity from existing 3rd party sub-contractors for plastic products – need to verify quality
- Identify other 3rd party plastic manufacturers who could take-up additional production capacity – need to verify quality
- Discuss with Customers option of replacing all plastic Units with Exclusive or Party metal Units in individual packs and hampers as an interim measure – may retain some sales

Recovery options?

- Rent/acquire nearby unit of suitable dimensions/utilities and begin fit-out to accept replacement equipment
- Hire temporary building to locate in yard - fit out for initial replacement equipment
- Recover any equipment/materials not fully damaged, demolish building, clear site, re-construct building and re-fit workshop ready for new equipment.
- Source suitable replacement equipment to install in chosen location of plastics workshop, temporary and/or permanent.
- Outsource all of plastic manufacture permanently to at least 2 sub-contractors after verifying capacity, capability, quality
- Do nothing – allow the plastics market share to be lost to competitors - invest in higher quality metal products and convince customers to buy these instead.

CHOW TOOLS LTD – Supplier Impact Analysis – Product Range by Packaging Supplier

Product % Dependency & GP %	Handy 25% GP	Homely 35% GP	Party 30% GP	Exclusive 10% GP	Notes
Wrap-it-Qik	50 % Dependency 12.5 % Gross Profit	25 % Dependency 8.75 % Gross Profit	0 % Dependency 0 % Gross Profit	0 % Dependency 0 % Gross Profit	Only cellophane supplier, used for 50% of Handy range packaging. 21.25% Supplier impact on GP.
Bag-it-Up	25 % Dependency 6.25 % Gross Profit	25+25 % Dependency 17.5 % Gross Profit	0 % Dependency 0 % Gross Profit	0 % Dependency 0 % Gross Profit	50% supplier of shrink-wrap, and plastic bags, dual suppliers for both. Both affect Homely range - sum % Dependency and % GP for Homely range. 23.75% Supplier impact on GP.
Take-a-Knap	25 % Dependency 6.25 % Gross Profit	25 % Dependency 8.75 % Gross Profit	100 % Dependency 30 % Gross Profit	100 % Dependency 10 % Gross Profit	One of two suppliers of plastic bags, but also 100% supplier of knapsacks. 55% Supplier impact on GP.
Box-it-In	98 % Dependency c.23.8 % Gross Profit	98 % Dependency c.33.5 % Gross Profit	98 % Dependency c.28.7 % Gross Profit	0 % Dependency 0 % Gross Profit	Sole supplier of cardboard boxes. All but hamper products (14% GP) packed into boxes. 98% volume dependency, but can only estimate each GP %. 86% Supplier impact on GP.
HH Ltd (Hampers)	2 % Dependency c.1.2 % Gross Profit	2 % Dependency c.1.5 % Gross Profit	2 % Dependency c.1.3 % Gross Profit	100 % Dependency 10 % Gross Profit	Sole supplier of hampers. Can only estimate each GP %. But only 2% volume and 4% GP dependency on hampers EXCEPT for 'Exclusive' (10%). 14% Supplier impact on GP.

CHOW TOOLS LTD – Supply Chain Disruption Response

Supply Chain Disruption SCENARIO:

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Your task:

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- What supply chain recovery option should be considered to re-establish the lost capabilities?

Communicate with?

Short term:

- Procurement (status, options)
- Crisis Management/Comms Team (decision making, Command & Control)
- Employees (Direction & status updates)
- Supply Continuity Team leader (heads-up)
- Administrator (WIP/FG/tools releases?)
- Media (explanation, assurances, plans)
- Brokers/Insurers (notification)

Mid-term:

- Supply Continuity Team (Direction)
- Customers (potential delays/shortfalls)
- Existing alternative Suppliers (options)
- New alternative Suppliers (options)
- Media (assurances, plans, promotions)
- Insurers (Loss Adj., Claims Assessors, RS)

Continuity options?

- Continue packaging Handy and Homely products in cellophane, shrink-wrap and plastic bags to meet Customer orders.
- Request increased supply of plastic bags and shrink wrap from Bag-it-Up and Wrap-it-Qik for the coming weeks - package Homely products using these suppliers' materials.
- Agree with some customers of Party and Exclusive hamper products to temporarily use plastic bags – unlikely to be acceptable for 'top end' outlet customers.
- Buy-in plastic and fabric knapsacks from multiple sources on open market – need suitable size, quality, but not same design.
- Source bulk quantities from alternative manufacturers or suppliers of plastic and fabric knapsacks – need suitable size and quality, but not same style or material .
- Sub-contract local manufacturers to make knapsacks to order direct for Chow Tools.

Recovery options?

- Extend order volumes to Bag-it-Up (and Wrap-it-Qik) to ensure capacity to cover loss of Take-a-Knap permanently or temporarily.
- Offer to pay Administrator fair price to buy raw materials, WIP, finished goods, tools etc. to be redeployed elsewhere.
- Approve an alternative supplier for plastic bags and knapsacks – does not need to be one supplier of both.
- Sub-contract local manufacturers to make knapsacks to order direct for Chow Tools permanently – gives greater flexibility on future design options.
- Acquire Take-a-Knap from Administrator as a going concern – take ownership of all contents, re-start production, retain key personnel/skills – consider short-term ownership and re-sell in future.