BCP Status of the SMEs in the Asia-Pacific Region 2012

Asian Disaster Reduction Center

Contents

1. Executive Summary

The purpose of this report is to summarize the findings of a 2012 regional survey focused on private sector preparedness of small and medium-sized enterprises (SMEs) among APEC economies conducted by the Taiwan Institute of Economic Research (TIER) and supported by the Asian Disaster Reduction Center (ADRC). This is part of an APEC SMEWG project on improving the natural disaster resilience of SMEs to facilitate trade and investment, which was proposed by Chinese Taipei in 2011.

The following are key conclusions drawn from the survey's findings:

- Potential threats vary by economy
  - Potential threats vary depending on the situation. Earthquakes, floods, fires, and blackouts are the major threats indicated.

- BCP development and awareness level of SMEs is still low
  - Only 13% of SME respondents have a business continuity plan (BCP) while 34.8% are in the process of developing one. Almost half of respondents do not know anything about BCPs.
  - There is a substantial difference in the level of BCP awareness between respondents that have actually experienced a disaster and those that have not.

- Process of BCP development
  - Many indicated that the reason they developed a BCP was to engage in good business practice and develop a risk management strategy
  - Many SMEs refer to general guidelines and effectively use various public support systems in the process of BCP development.

- Obstacles identified
  - The main obstacles for many respondents that don't have a written BCP are "lack of company BCP knowledge and expertise" and "lack of information needed for BCP development."

2. Introduction

2.1 Background

The APEC region accounts for approximately 40% of the world's land area, more than 40% of its population, and around half of global GDP, yet regrettably sustains almost 70% of the world's natural disasters. One lesson learned from past catastrophic events such as the Great Hanshin-Awaji Earthquake, Hurricane Katrina, and the Great East Japan Earthquake, is that the private sector plays an important role in reducing economic damage and regional impacts when they are well prepared for disasters. SMEs account for 90% of all private sector companies and employ well over half of the workforce in the majority of economies in the region.

As its supply chains are closely intertwined, a single disaster could affect the economic activities of the entire APEC region. APEC therefore needs to strengthen the private sector's capacity for disaster preparedness and recovery, especially focusing on SMEs, by promoting BCP adoption in APEC member economies.

This survey focused on SMEs and was conducted in 2012 by TIER and ADRC. The results were combined with those from a study conducted by ADRC in 2011 to provide a better understanding of the current status of BCP adoption and the level of BCP awareness among private sector SMEs in the APEC region. http://publications.apec.org/publication-detail.php?pub_id=1234

2.2 Purpose

Objective

- Understand the current BCP adoption status of the private sector in the APEC region.

Expected Outcomes

- Understand the current situation in each economy and industrial sector.
- Identify and clarify the bottlenecks and problems for BCP development and implementation.
- Gather the information that policy makers need to enhance future strategies.
- Share knowledge and better practices throughout the region.

2.3 Methodology

Survey Method

- Web-based online survey

Survey Period

- June to November 2012
- The results of 2012 Survey were combined with those from a study conducted by ADRC in 2011 to provide a better understanding of the current status of BCP adoption and the level of BCP awareness among private sector SMEs in the APEC region.

Questionnaire Content

Q1-Q6	General Information
Q7-Q8	Potential Threats and Disaster Experiences
Q9-Q10	About their BCP
Q11-Q12	Reasons for BCP
Q13-	Public supports
Q14-	How to build BCP
Q15-Q16	Coordination with Suppliers
Q17-	Difficulties of BCP development
Q18-	Related Plans
Q19-	Coordination with Community
Q20	Standards and Certification
Q21	Risk Control / Finance
Q22 -23	Checking BCM
Q24	Difficulties of BCM review

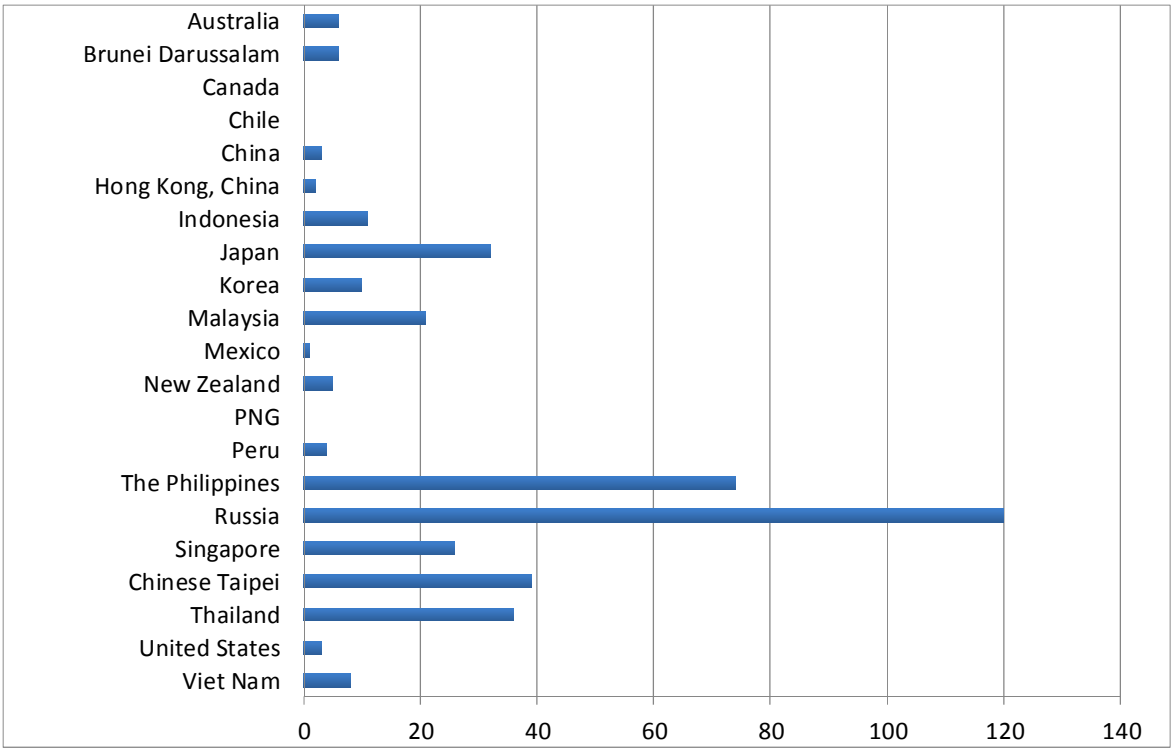
Small and Medium-Sized Enterprises (SME)

- Defined in this study as private organizations with fewer than 300 employees

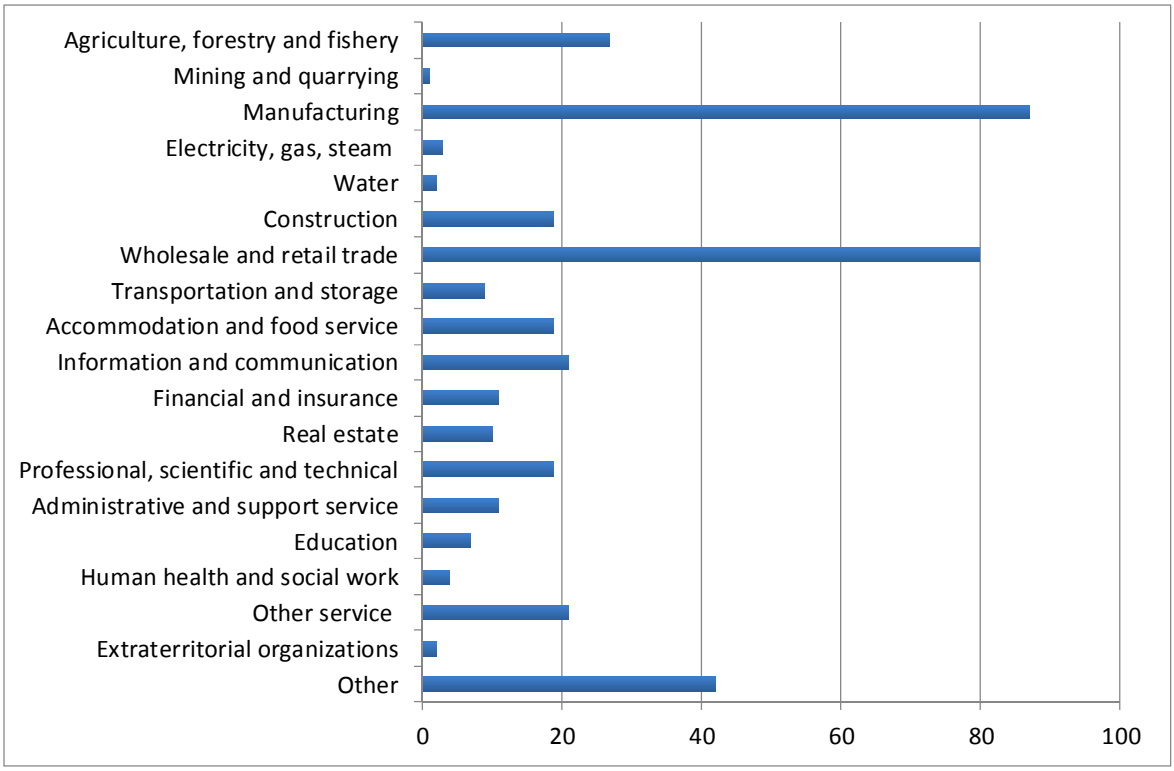
2.4 Survey Coverage

- Year 2011 145 responses from 17 economies
- Year 2012 262 responses from 13 economies
- Total 407 responses from 18 economies

Number of Respondents by Economy



Industrial Sectors of Respondents

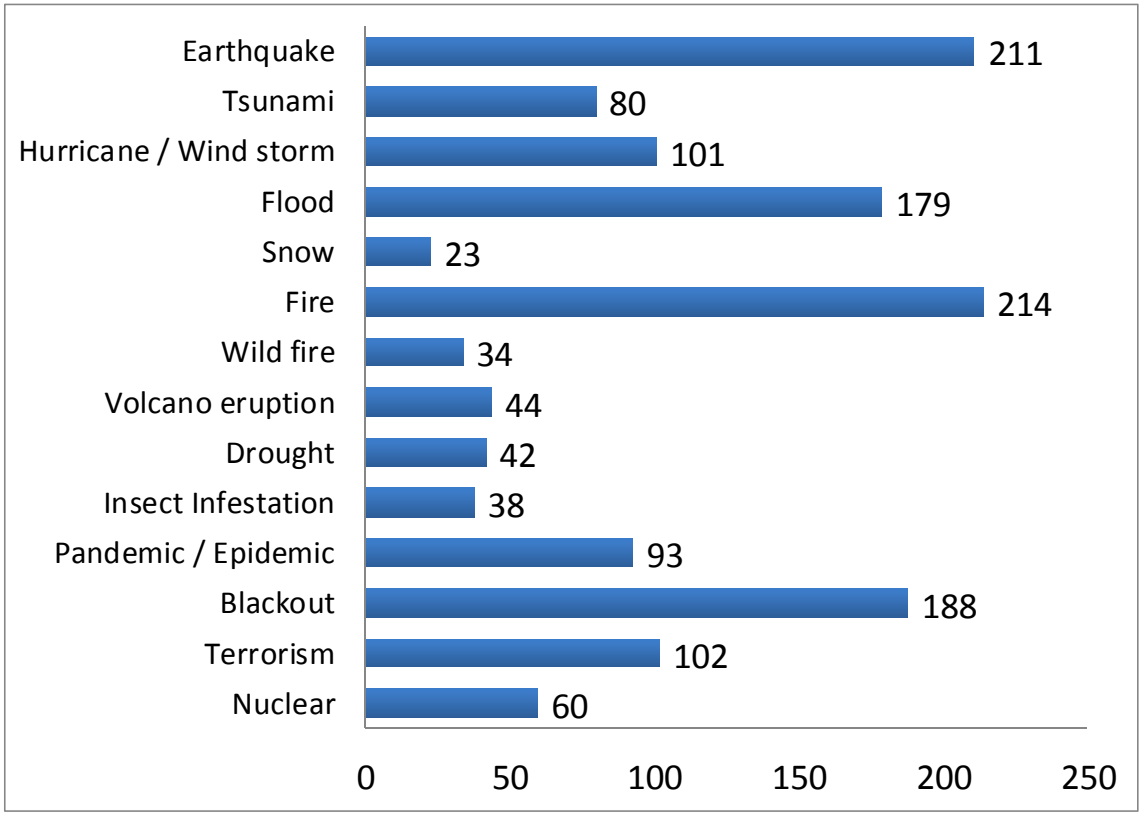


3. Survey Results and Findings

3.1 Potential Threats and Disaster Experiences

- **The potential threats vary by economy. Earthquakes, floods, fires, and blackouts are the major threats.**

Potential Threats



Number of Respondents by Economy

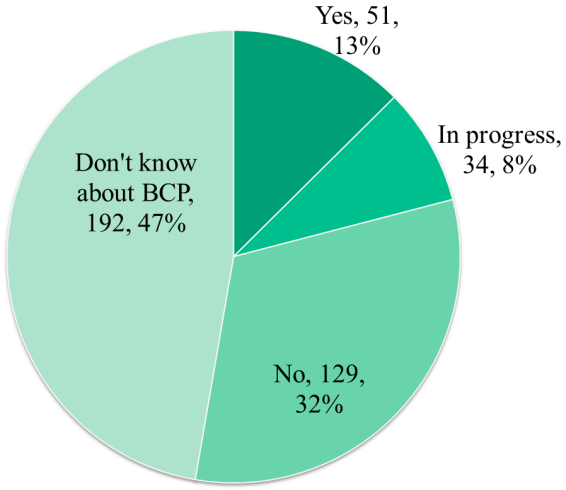
*more than 5 answers	Earthquake	Tsunami	Hurricane / Wind storm	Flood	Snow	Fire	Wild fire	Volcano eruption	Drought	Insect Infestation	Pandemic / Epidemic	Blackout	Terrorism	Nuclear
Australia	1	0	2	3	0	1	0	0	2	0	1	2	1	0
Brunei Darussalam	3	0	0	3	0	2	0	0	1	1	3	2	0	2
Indonesia	10	8	1	8	0	5	2	10	2	1	6	5	9	1
Japan	27	10	2	3	0	11	0	1	0	0	4	13	3	3
Korea	3	1	3	2	1	8	0	0	0	0	1	4	0	2
Malaysia	5	4	3	15	2	9	5	3	4	4	7	8	4	3
New Zealand	5	2	2	1	0	3	0	1	0	1	2	0	0	0
The Philippines	54	14	15	47	0	41	4	15	11	10	11	32	14	5
Russia	42	11	38	40	13	76	16	5	13	13	20	67	32	19
Singapore	6	5	4	9	1	17	1	2	1	2	17	17	12	4
Chinese Taipei	29	9	19	17	3	21	1	2	3	3	11	22	6	11
Thailand	12	10	7	20	2	10	3	4	5	3	5	9	14	8
Viet Nam	5	3	2	5	0	4	2	1	0	0	1	3	3	1

3.2 Adoption and Awareness

- **Of all respondents, 13% indicate that their companies have a BCP. On the other hand, 47% of respondents are unaware of BCPs.**
- **Responses demonstrated substantial differences in terms of the level of BCP development and awareness between respondents that have actually experienced disaster and those that have not.**

BCP Development Status

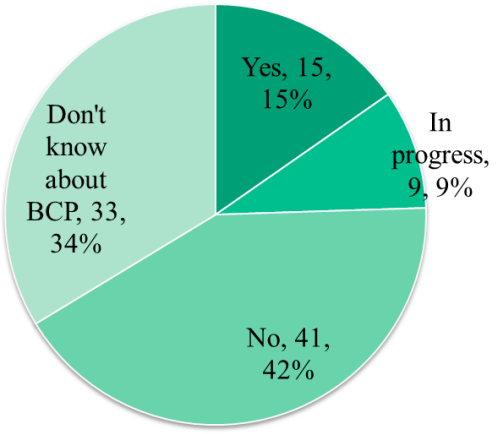
Do you have a BCP?



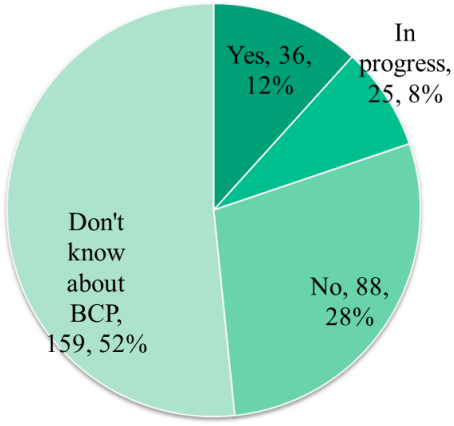
Disaster Experience

Has your company ever been seriously disrupted by a disaster?

Yes 24%



No 76%

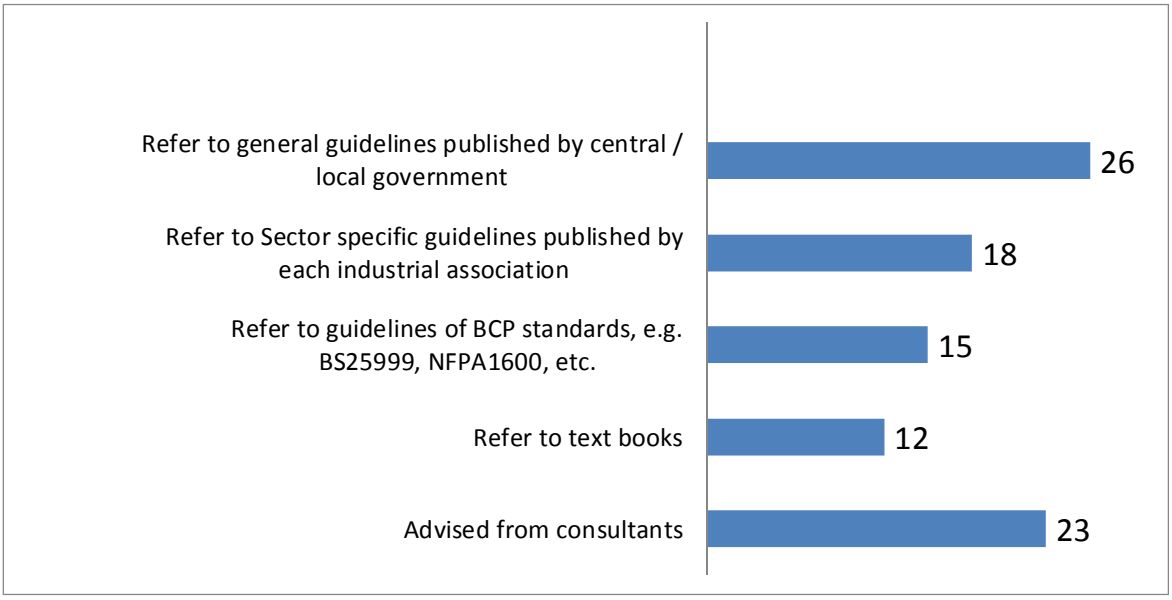


3.3 Process of BCP Development

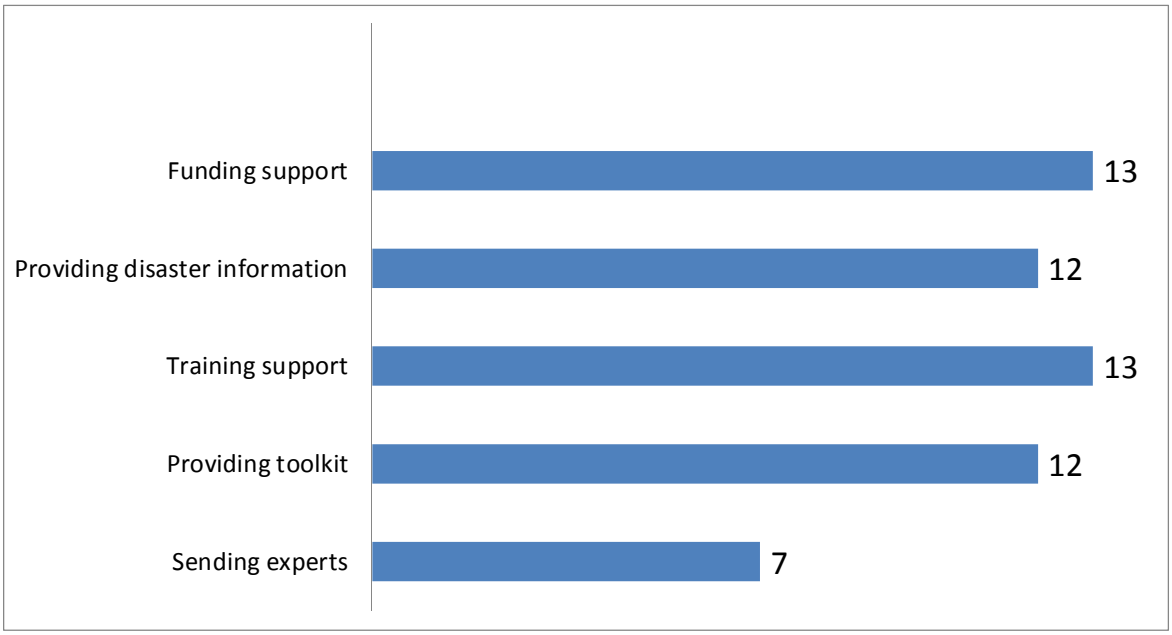
- **Many respondents began to develop their BCPs spontaneously, identifying the reasons as "for risk management of [their] company" or "for good business practice." The number of respondents that developed BCPs because of the requirements of their stakeholders is relatively small.**
- **Many SMEs refer to general guidelines and effectively use various public support systems in the process of developing their BCPs.**
- **The top three obstacles for respondents that don't have written BCPs are "lack of company BCP knowledge and expertise," "lack of information needed for BCP development," and "management's low awareness," in descending order.**

Reasons or trigger events that motivated your company to develop a BCP

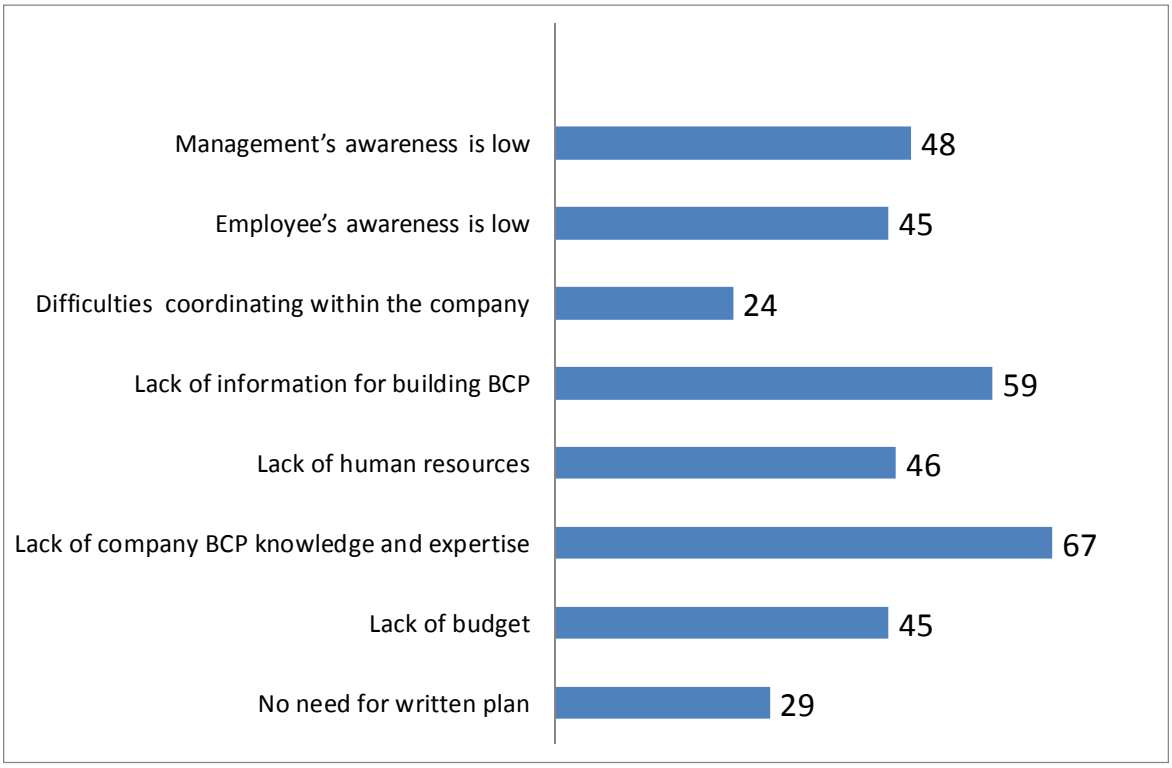
How did your company build a BCP?



Useful Public Support Systems



Obstacles for Preparing a BCP



4. Discussion

The lessons learned from past catastrophic events show that the private sector plays an important role in reducing economic damage and regional impacts when they are well prepared for disasters. SMEs employ well over 50% of the workforce in the APEC region and are also uniquely positioned to bring communities back from devastation, as they have existing relationships with the affected population and a vested interest in promoting a speedy recovery. APEC therefore needs to strengthen the capacity of SMEs for disaster preparedness and recovery by promoting BCP development among APEC member economies.

The following are key suggestions for encouraging the adoption of BCPs among APEC economies, drawn from the survey's findings.

- Raise public awareness of BCPs, especially among SMEs

  We found a low level of awareness of BCPs in SMEs across all economies. We should first share good practices for raising awareness of the importance of having a BCP by utilizing BCP guidelines and toolkits commonly used in advanced companies. Second, we should pay more attention to supply chain management, maintaining close relationships between relevant communities and public institutions and agencies, in an effort to promote public-private partnerships (PPP). We have observed situations in which supply chain disruptions in one economy impacted many other economies (e.g., the automobile industry in the Great East Japan Earthquake, 2011). Therefore, considering issues of supply chain management is imperative when developing a business continuity strategy. Also, working cooperatively with suppliers, including those in different economies, on BCP development will improve the BCP status of emerging economies.

- Eliminated obstacles to BCP development

  Our survey shows the following obstacles to BCP development:

  - Lack of BCP leadership among top management
  - Lack of skills and knowledge
  - Difficulty in securing human resources
  - Low awareness among employees

- Lack of budget for BCP tasks

These all are critical factors for BCP development. Therefore, each economy should make an effort to remove these obstacles.

- Expand effective public support systems and resources available to SMEs

We found that BCPs are least well known among SMEs. SMEs are the predominant firms within APEC member economies, and they employ a large percentage of the region's work force. However their limited resources and skills make them more vulnerable.

Our survey indicates that public supports are effective for SMEs. Therefore, we should expand the public support systems and resources available to SMEs. First, public support should be used to enhance the BCP awareness of SMEs by providing them with disaster information e.g. historical data, hazard maps and early warning. Second, BCP guidelines, standards, and toolkits should be issued to help SMEs acquire the skills and knowledge they need to develop their BCPs.

BOX

Role of SMEs / Aspects by Industries

When disasters cause business activity to stagnate, the impacts are felt not only by individual companies, but also in the employment levels and the overall economy of the stricken region. When trade and commerce are conducted with businesses in other areas, the economic damage can also affect far away regions through supply chains. A business continuity plan (BCP) is a holistic plan that identifies the potential impacts and critical operations of an organization prior to the occurrence of a disaster and outlines the effective response and quick recovery measures a business can take to continue its operations at acceptable levels and avoid various disruptions for a specified period of time. The process of developing and installing a BCP strategically within an organization is referred to as business continuity management (BCM).

The earthquake that struck on March 11, 2011 impeded or suspended business production in the affected regions, disrupting supply chains and affecting businesses across Japan. Since business activities in the manufacturing sector do not take place solely between manufacturers and their direct suppliers and customers, disruptions to one link of a supply chain can easily have implications around the globe. This disaster caused 656 small and medium-sized enterprises (SMEs), which employed 10,757 workers, to go bankrupt within one year. But only 79 of those SMEs (12%), were located in the Tohoku region; the others were located all over Japan. The bankruptcies of the latter group were attributed to indirect losses or damage caused by disruptions in their supply chains. Risk management efforts aimed at tackling emergency situations are therefore expected to assume greater importance in business in the future.

The Thailand Flood of 2011 also affected many enterprises outside of Thailand through supply chain disruptions. The APEC region's supply chains are closely intertwined, such that a single disaster can affect the economic activities of the entire region. It is therefore essential that urgent efforts be made to strengthen the private sector's capacity for disaster preparedness and recovery by promoting BCP development among APEC member economies. It is important to note that SMEs are critical players in supply chains and regional economies, though their level of business continuity preparedness has been shown to be

insufficient.

Based on past experience, private sector businesses have changed their mindsets toward disaster preparedness and business continuity strategies. The construction industry plays a role in debris removal and infrastructure repair to facilitate a speedy resumption of everyday activities, supermarkets play a role in providing evacuation shelters and delivering relief supplies to communities, and the logistics industry plays a role in securing multiple channels for the delivery of goods by preparing fuel and drivers. Since the roles they play in a disaster differ by industry, businesses need to take those roles into consideration as they develop their own business continuity strategies.

In logistics, on-time delivery and reliability are key issues to ensuring customer satisfaction. During ordinary times, logistics functions are essential to an economy. But when a disaster occurs, these functions become much more important in terms of their social impact, enabling local governments to deliver relief goods, such as food, drinking water, and daily goods to the affected areas. Many logistics firms conclude disaster support agreements with local governments prior to the occurrence of a disaster, making it critical to arrange and secure in advance the emergency drivers who will be needed as part of their business continuity strategies.

Manufacturing companies in such industries as ICT, semiconductors, and automobiles are introducing just-in-time strategies by reducing inventory. Given recent experiences with supply chain disruptions, however, many manufacturers have begun examining their suppliers' BCP status as well. They are examining not only their primary suppliers, but also their secondary and tertiary suppliers.

As SMEs lack the financial resources to prepare multiple work sites, they are considering cooperative network arrangements with same-industry partners in remote geographical locations that can provide mutual support in the event of a major disaster.

Because social functions and stakeholders in modern developed societies are highly interconnected and interdependent, any disruptive incident can have region-wide impacts. A single incident can have an extensive impact both

domestically and internationally when supply chains and value chains are undermined. The private sector plays a major role in creating employment and supporting the local economy, thereby ensuring regional sustainability. In the event of a disaster, the role of the private sector becomes even more important in this respect. Effective cooperation among disaster-resilient private sector players helps ensure a resilient and sustainable civil society.

It is important to note that one lesson learned from past catastrophic events such as the Kobe Earthquake, Hurricane Katrina, the Great East Japan Earthquake, and the Thailand Flood is that private sector enterprises including SMEs play an important role in reducing national and regional economic damage when they are well prepared.