1. Characteristics of Japanese Corporations (1)

- **Capital**
  - Heijyokyo (Nara Prefecture) 708 – 784
  - Heiankyo (Kyoto Prefecture) 794 – 1868 (Meiji 2)
  - Tokyo 1868 –

To expand BCM in Japan, we will need the well balanced strategy between defense and offense.
2. Characteristics of Japanese Corporations (2)

Strategic initiatives were developed by type of peril

- Crime: Protect human life from crime
  - Police, Building security, Bodyguard
- IT: Protect the public from IT crimes
  - Police, Corporate IT manager, IT provider
- Fire, Explosion: Protect human life from Fire / Explosion
  - Fire department, volunteer fire department
- Natural disaster: Protect human life from Natural disasters (EQ/FL/Wind)
  - Local governmental fire & disaster planning departments

To expand BCM, it is important to create macro strategies including prevention planning, emergency planning, business continuity planning and recovery planning rather than a peril specific disaster plan.

3. Japanese Government – Core Disaster Plan

Disaster Planning Central Committee Members
- Chairman
  - Prime Minister
- Committee
  - All Cabinet Ministers (17)
  - President of Bank of Japan
  - President of Japanese Red Cross
  - Chairman of NHK (National Public Broadcasting System)
  - President of NTT
  - Technical Professionals (4)

Since 2005, I have proposed corporations and local governments prepare disaster strategy planning process (prevention, emergency, continuity, recovery).
4. Peril specific disaster plan: Positive points

1. Loss assumptions / scenarios relatively easy – (eg. fire, EQ, typhoon)
   - Ease of planning for controlling and recovering from disruption
2. Governmental agencies response are set up by specific disaster
   - Police, Fire department, Public health center, local governments
   - Excellent communication within disaster specific response teams
3. Relative ease of determining specific cause of disaster
   - Caused by fire, EQ, explosion, atomic power plant
   - Scientific approach
   - Determining cause becomes top priority
   - Once cause is identified, easy to take corrective action
4. Determining cause of disaster/disruption enables easy identification of which entity should be responsible for risk.

5. Peril specific disaster plan: Weak points

1. Difficult to define overall picture of organization’s risks
   - Focusing on each risk = difficult to understand the overall picture
2. Difficult to apply unplanned scenarios
   - New Flu strain pandemic, IT crime, Port blockade, Food tampering
3. Difficult to respond to simultaneous occurrences of more than one risk
   - EQ & Crime, Power outage & IT crime, Flu pandemic and Crime
4. Difficult to respond to chained or sequential risks
   - IT fire – IT accident – Stop order – Shut down at other operation
5. Lack of Strategy of supply chain
   - Loss of critical customers, Stop order in supplying major parts
6. Difficult to see overall picture of resources – (staff, property, money, information)
6. Peril specific disaster plan: Weak points (continued)

7. Point strategy, lack of comprehensive strategy
   - Uncoordinated action without advanced plan
   - Focus on one location at a time for disaster planning and not planning on macro level
8. No assessment of causes of disruption
   - No incident analysis and impact analysis.
   - Have data but no information on incident results / incident impact
   - No time frame analysis
   - Difficult to estimate controlling /emergency cost
9. Focus on prevention approach including emergency response and recovery, but lack of continuity planning strategy.
   - Not planned: alternative production / service planning.
   - No training /education of alternative workforce.

7. Corporate Risk (Risk Map 1)

This map has a scientific basis, but not practical due to the lack of data
8. Corporate Risk  (Risk Map 2)

9. Exposed Risks
10. Understanding Supply Chain Risk Management Interruption

July 16, 2007  Fire  (Riken Corp. in Niigata Prefecture)
July 18, 2007  Due to supply shortage, production lines stopped at Toyota, Nissan

11. Supply Chain Interruption

- While no direct BI/PD at manufacturer, production lines stopped due to the supply chain interruption. – Contingent business interruption
- Particularly critical for manufacturers who are relying increasingly on global suppliers: Electronics, Automobile, Food,
- Supply Chain Management is the first initiative for Japanese organizations to introduce BCM
12. Historical Supply Chain Interruption incident

- **7/4/1993**  Fire/Explosion at Sumitomo Chemical Resin plant
- **1/17/1995** Catastrophic Hanshin Earthquake (West of Japan)
- **2/1/1997**  Fire at Aishin Seiki
- **9/21/1999** Earthquake in Taiwan
- **3/17/2000** Small fire at Philips plant in Albuquerque, NM
- **6/10/2000** Fire/Explosion of Hydrozylamine at Nisshin Kako
- **9/11/2001** Catastrophic Terrorist Attacks on the World Trade Center (Financial systems interrupted)
- **9/27-10/8/2002** West coast lockout due to maritime labor union disputes
- **9/8/2003**  Fire at Bridgestone Tire in Tochigi
- **10/23/2004** Earthquake (mid-sized) at Niigata
- **3/20/2007**  Fire at Shinetsu Chemical (Methylcellulose shortage)
- **7/16/2007**  Earthquake (mid-sized) at Niigata

13. Difference between Overall Corporate disaster strategy and disaster-specific strategy

- Eliminate duplication
- Gaps easily visible
- Cost savings
- Clarify each person’s responsibility
14. Abandonment of disaster damaged location is considered

- Small damage vs. Large damage

**Small Damage**
- Not life threatening
- No damage / effect on other neighboring entities/ properties
- No subsequent damage anticipated
- IT incident / damage (manufacturing industry)

**Large Damage**
- Impact in business management continuity
- IT incident / damage (financial industry)

- Treat as large damage until the degree of damage identified
### 16. Change of time / damage

<table>
<thead>
<tr>
<th>BCP name</th>
<th>Financial Impact</th>
<th>BCP Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interrupted section</td>
<td>Date created / revised</td>
<td></td>
</tr>
<tr>
<td>Interrupted operation</td>
<td>Resource</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6 hrs. 24 hrs. 48 hrs. 72 hrs. 1week 1 month</td>
<td></td>
</tr>
</tbody>
</table>

**Impact on sales**

**Impact on expense**

It is critical to assess the damage correlation between cost and time.

### 17. Tangible vs. Intangible Impacts

<table>
<thead>
<tr>
<th>A1. Impact on sales (Tangible)</th>
<th>B1. Impact on expense (Tangible)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delayed sales</td>
<td>Overtime</td>
</tr>
<tr>
<td>Volume discount</td>
<td>Service</td>
</tr>
<tr>
<td>Order Cancellation</td>
<td>Temporary staff</td>
</tr>
<tr>
<td>Interest / cash flow</td>
<td>Rental equipment</td>
</tr>
<tr>
<td>Protracted default</td>
<td>Fine</td>
</tr>
<tr>
<td>Others (specific)</td>
<td>Others (specific)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Image</td>
<td>Work Ethic</td>
</tr>
<tr>
<td>Loss of Market share</td>
<td>Productivity</td>
</tr>
<tr>
<td>Customer Service</td>
<td>Legal Compliance</td>
</tr>
<tr>
<td>Relationship with peer companies</td>
<td>Legal Liability</td>
</tr>
<tr>
<td>Others (specific)</td>
<td>Others (specific)</td>
</tr>
</tbody>
</table>
18. Identify the time / impact

- IT Incident
- Production Shut down
- Brand damage

<table>
<thead>
<tr>
<th>Severity</th>
<th>Min.</th>
<th>Hour</th>
<th>Day</th>
<th>Week</th>
<th>Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>$300</td>
<td>100</td>
<td>200</td>
<td>300</td>
<td>400</td>
<td></td>
</tr>
</tbody>
</table>

19. Understanding time and planning

- IPP: Incident Preparedness Plan
- ERP: Emergency Response Plan
- BCP: Business Continuity Plan; limited BCP
- BRP: Business Recovery Plan
20. Consider each plan from Staff, Property, Money and Information perspective

Tying strategic planning processes closely with its operations (Operation, Facility, Equipment, Finance, I.T.) makes it more easily understandable for organization’s management.

ERP: Emergency Response Plan  * Operation, Facility & Equipment, Finance, I.T.
BRP: Business Recovery Plan  * Operation, Facility & Equipment, Finance, I.T.

- Total of 16 items

21. Proposed planning by each strategic planning process (Japanese XYZ company)

<table>
<thead>
<tr>
<th></th>
<th>Operation</th>
<th>BCP</th>
<th></th>
<th>Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>IPP</td>
<td>130</td>
<td></td>
<td>IPP</td>
<td>9</td>
</tr>
<tr>
<td>IPP</td>
<td>239</td>
<td>BCP</td>
<td>IPP</td>
<td>3</td>
</tr>
<tr>
<td>IPP</td>
<td>91</td>
<td>BCP</td>
<td>IPP</td>
<td>8</td>
</tr>
<tr>
<td>ERP</td>
<td>11</td>
<td>BRP</td>
<td>ERP</td>
<td>12</td>
</tr>
<tr>
<td>ERP</td>
<td>10</td>
<td>BRP</td>
<td>ERP</td>
<td>10</td>
</tr>
<tr>
<td>ERP</td>
<td>4</td>
<td>BRP</td>
<td>ERP</td>
<td>4</td>
</tr>
<tr>
<td>ERP</td>
<td>13</td>
<td>BRP</td>
<td>ERP</td>
<td>9</td>
</tr>
</tbody>
</table>

- More heavily weighted in IPP.
- Most plans for ERP, BCP and BRP were extracted from my text
Appendix

Text in Japanese

22. Incident Preparedness Plan
23. Emergency Response Plan

- Identify and make known temporary response center and shelter until official emergency response center is established. Document same.
- In preparation for power outage, ascertain emergency notification and public address systems are adequate.
- If employees are directed not to report to work, how will these costs be recovered?
- If there is a severe or unusual weather event, how would affected personnel be notified?

24. Business Continuity Plan

- Ascertained personnel manufacturing replacement products are not affected by the same catastrophe.
- Documentation authorizing assignment of regular manufacturing personnel duties to temporary replacement personnel.
- Alternative supply sources for raw material and parts.
- Identify all BOM (Bill of Materials) per supplier.
- Are substitute facilities properly contracted and maintained?
- Relocation costs of information systems to alternate location budgeted.
- Established communication policy/ methods with both inside and outside stakeholders.
- Trained point person for responding to press and media.
25. Business Recovery Plan

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish standard</td>
<td>Establish standard to assess repair or replacement by following categories:</td>
</tr>
<tr>
<td></td>
<td>land, building (improvements) and equipment</td>
</tr>
<tr>
<td>Establish recovery targets</td>
<td>Establish recovery targets (time, scale, response, prioritization)</td>
</tr>
<tr>
<td>Identify and assess</td>
<td>Identify and assess impediments or environmental issues when facility</td>
</tr>
<tr>
<td>impediments or environmental issues</td>
<td>is rebuilt</td>
</tr>
<tr>
<td>when facility is rebuilt</td>
<td></td>
</tr>
<tr>
<td>Establish standard to assess</td>
<td>Establish standard to assess repair or replacement by following categories:</td>
</tr>
<tr>
<td>repair or replacement</td>
<td>land, building (improvements) and equipment</td>
</tr>
<tr>
<td>categories: land, building</td>
<td></td>
</tr>
<tr>
<td>(improvements) and equipment</td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td>Information is provided to support the recovery process and ensure</td>
</tr>
<tr>
<td></td>
<td>restoration is conducted in a timely manner</td>
</tr>
</tbody>
</table>

---

26. Through internal discussions understand benefits of overall strategy plan vs. peril specific plan

By specific peril disaster
- Earthquake (incl. Tsunami)
- Wind/Flood
- Volcanic action
- Snow damage
- Maritime/ Marine
- Aviation
- Railroad
- Roads
- Atomic energy
- Dangerous objects
- Large Fire
- Forest Fire
- Others

By Strategy plan
1) Incident Preparedness Plan
2) Emergency Response Plan
3) Business Continuity Plan
4) Business Recovery Plan

- Eliminate overlapping resources (people, property, money, information)
- Identify gaps
- Reduce costs
- Each person’s responsibilities are clear
27. Effectiveness of BCM – Natural Disaster

28. Effectiveness of BCM – Accident or Incident
29. Understand BCP Design

BCP1: Relating to Staff, Property, Money and Information
- EQ, Wind/Flood, Fire, Terrorism, Supply Chain Interruption
- Training staff is important

BCP2: Relating to Staff, Money and Information
- Bird Flu, Strikes
- Training staff is important

BCP3: Relating to Money and Information
- Fluctuation of interest rate, fluctuation of stock price, increasing raw material cost
- Mainly market and strategic risk

30. Lastly, teach management that “BCM = Management”

1. Prioritize all operations and products
   (1) Large volume of sales and profit
   (2) Strategic operation, Products (expected large volume of sales/profit in the future)
   (3) Large influence on overall market

2. Prioritize all operations
   (1) Core business operations
   (2) Other business operations

3. Prioritize recovery operations
   (1) Core major business operations
   (2) Core other business operations
   (3) Other major business operations
   (4) Other business / other operations

Not easy to prioritize in Japan
Do Japanese prefer ambiguity?
31. Appeal to International Market important

Japanese organizations conduct BCP and apply disruption strategy scientifically.

Japanese corporations are resilient to disruptive events
Japanese corporations recovery recover relatively quickly from disruptive events
Japanese corporations utilize disruption strategy and are confident of maintaining a stable supply chain.

32. What are Disruption events?

- Causes of Disruption
  - Natural Disaster (EQ, Wind/Flood, Bird Flu)
  - Accident (Human error, Design defect, Wear/Tear)
  - Incident (Terrorism, Kidnap, IT Crime)
  - Supply Chain Interruption
- Increasing complexity and refinement of industry increases influence of disruption
  - Large damage by one disaster, accident or incident
- Increases the frequency of disruption by increasing share of international supplier chain
  - Increase of theft, terrorism or IT crime and internationalization
  - Bird flu – and other pandemic disease affects worldwide
- Business Continuity Management
  - Protect human life and corporations
Thank you for your attention