Manufacturing Spotlight: PREPARING FOR THE FUTURE

INDUSTRY TRENDS & OUTLOOK

BUSINESS INTERRUPTION

CYBER

WORKFORCE MANAGEMENT

Allianz
Manufacturing Spotlight: PREPARING FOR THE FUTURE

TOP RISK: BUSINESS INTERRUPTION

Business interruption (BI), including supply chain disruption, is the top risk for companies for the sixth consecutive year, according to the Allianz Risk Barometer 2018, with 42% of responses rating it as one of the three most important risks in 2018. Whether it results from factory fires, destroyed shipping containers, or increasingly, non-physical damage risks like cyber, political violence, product recall or similar incidents, BI has tremendous effects on revenue. Consider recent events such as Hurricane Florence that struck the Carolinas in September 2018. In addition to the businesses that were directly impacted, businesses outside of the storm areas could experience lost revenue as a result of damage suffered by suppliers or customers whose operations were damaged by the storms.

Companies often underestimate the complexities of getting back to business. According to the US Federal Emergency Management Agency (FEMA), 40% to 60% of small businesses never recover after a disaster.1 It is important to have a business continuity plan (BCP), which clearly delineates the business’ plan for operational recovery after a disaster, in place so that the delay is mitigated and BI losses are limited.

“Having a business continuity plan prepares you in the event of a break in your supply chain or manufacturing process. Not having one exposes you to lost edge in the marketplace, lost sales and even reputational damage,” explains Rajiv Iyer, Global Head of Package and Small Business, AGCS.

40% to 60% of small businesses never recover after a disaster

Source: FEMA

1. FEMA, Make your business resilient, 2015
HAVE A PLAN IN PLACE
BEFORE DISASTER STRIKES

A BCP focuses on critical functions within a predetermined time after a disaster – such as manufacturing, logistics, warehousing, IT and OT (informational and operational technology) — and helps to mitigate BI. It identifies the business recovery priorities and the acceptable recovery times established by senior management. Based on these priorities, a recovery plan for the functional area is developed, identifying vital operations and vulnerabilities that might impede recovery efforts. Understanding the interdependencies of production facilities, as well as key suppliers in the production stream, is critical to developing a comprehensive business continuity plan. Furthermore, testing the plan is key to keeping it functionally relevant.

Supply chain resiliency is important, too, so that businesses can keep track with their suppliers and vendors – monitoring can even be a part of the insurer’s services. For example, Allianz leverages semantic analysis tools to better understand a business’ supply chain risk up to the fourth tier, so they can be back in business faster and with less impact to their bottom line.

TEST THE PLAN

Once a plan is developed, it needs to be tested and tweaked to make sure it is truly effective when disaster strikes. Consider it a living document which needs regular review and updates. Plans can be scenario-tested through tabletop exercises, such as a roundtable discussion with key stakeholders. The disaster scenario should be realistic and can include any type of natural catastrophe as well as other types of interruptions like fire and explosion, a contractor’s negligence, an angry employee, a cyber-incident, the injury or death of a key employee, the loss of a critical supplier, or even a ruptured water pipe that floods a manufacturing facility. An effective exercise should be prepared well in advance and designed to test location-specific vulnerabilities with assumptions clearly defined and communicated to all participants.

Regardless of business size, the entire business continuity process requires commitment from top management to be resilient to the increasing threat of risks.

“Allianz Risk Consulting has a team of certified experts developing continuity plans that address specific client concerns.”

Thomas Varney, Regional Manager Americas, Allianz Risk Consulting
### 10 Individual Team Plans Required Within a Good Business Continuity Plan (BCP)

1. **Emergency Action Plan**
   - ![Image](image1.png)

2. **Crisis Management and Communication Plan**
   - ![Image](image2.png)

3. **Hazardous Materials Plan**
   - ![Image](image3.png)

4. **Production Make-Up and Interdependencies Analysis**
   - ![Image](image4.png)

5. **Natural Catastrophe Response Plan**
   - ![Image](image5.png)

6. **Supply Chain Risk Management Plan**
   - ![Image](image6.png)

7. **IT Data Recovery Plan**
   - ![Image](image7.png)

8. **Qualified Vendors/Outsourcing Plan**
   - ![Image](image8.png)

9. **Compliance and Governmental Regulations Plan**
   - ![Image](image9.png)

10. **Recovery and Continuation Plan**
    - ![Image](image10.png)

### Our Experts

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About this series

The AGCS “Manufacturing Spotlight” series presents topics of interest to SME manufacturers and includes trends, expert advice, risk mitigation and insurance solutions for issues as diverse as cyber awareness, business interruption and opioid abuse in the workplace. New briefings will be published at regular intervals.