

International Recovery Forum 2014

Business Continuity Management (BCM) of Public and Private Sector in Japan

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1. Introduction

- The Great East Japan Earthquake (GEJE) disrupted the operation of local governments, companies and the supply chain that caused influence throughout Japan and overseas.
- If Japanese government and industries do not learn the lessons and take measures, no way to clear anxieties of disaster damage in Japan from abroad.
- In this presentation, I discuss the factor of Business Continuity, with emphasis on substitute strategy of BCM (Business Continuity Management), supply chain management and mutual cooperation.

2.1 Damage of Local Government Main Buildings

Damage of Main Buildings of City , Town and Village Government by GEJE

Prefecture (No. of Municip.)	No. of municipalities whose main buildings were damaged			
	Total	Relocation	Relocation partly	No relocation
Iwate (34)	22(6)	2(2)	2(1)	18(3)
Miyagi(35)	32(3)	3(2)	2(1)	27(0)
Fukushima(59)	36(0)	3(0)	3(0)	30(0)
Ibaragi(44)	34(1)	3(0)	5(0)	26(1)
Tochigi(27)	26(0)	1(0)	2(0)	23(0)
Gunma(35)	18(0)	0(0)	0(0)	18(0)
Saitama(64)	31(0)	1(0)	0(0)	30(0)
Chiba(54)	38(0)	0(0)	1(0)	37(0)
Grand TOTAL	237(10)	13(4)	15(2)	209(4)

Note: No. in () are the numbers of main buildings damaged by tsunami.

These numbers do not include relocation by the effect of the Fukushima nuclear accident.³
 Source: Research by Cabinet Office, Japan

2.2 Main Building of Otsuchi Town, Iwate Pref.

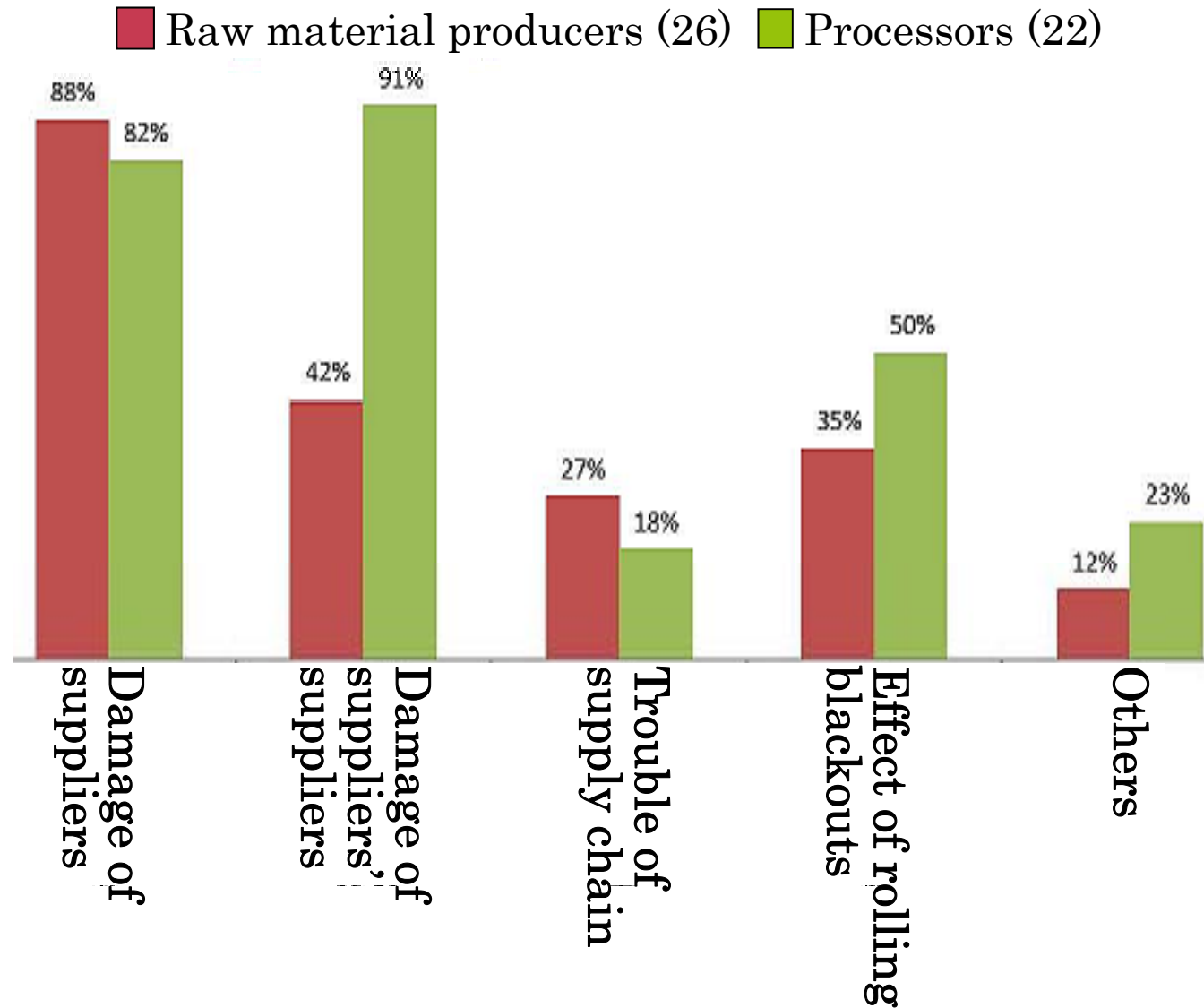


3.1 GEJE's Influence on Japanese Businesses Nationwide

- “Emergency Survey on the Actual Status of Industries after the GEJE” by Ministry of Economy, Trade, and Industry (METI)
- Implementation period: April 8-15, 2011
- 80 major companies are surveyed
(55 in manufacturing and 25 in retailing/service)

This shows that the damage by the supply chain disruption were nationwide.

3.2 Reasons of Difficulty in Obtaining Raw Materials and Parts/Components (a month after the earthquake)

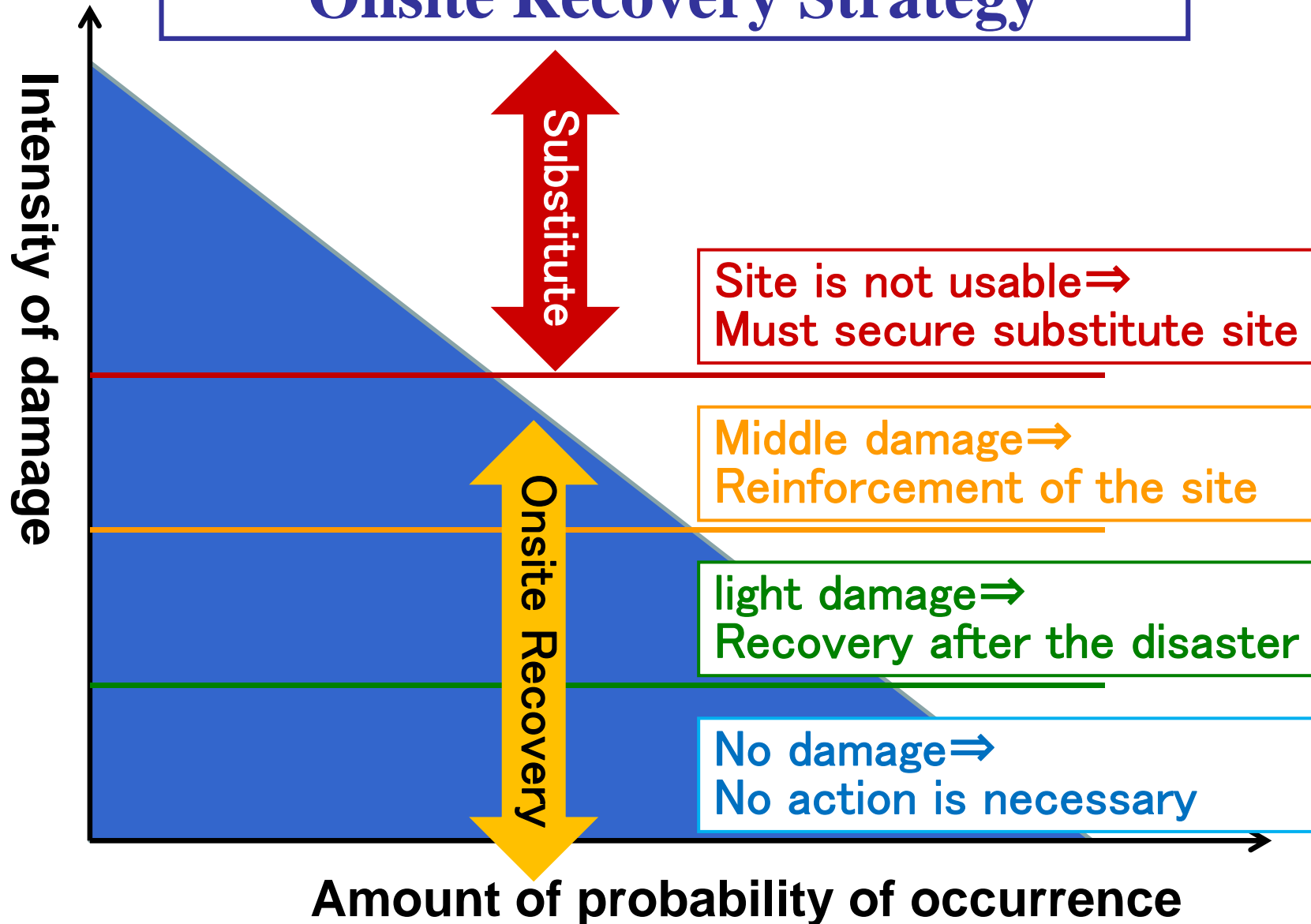


4.1 Substitute Strategy of BCM

- BCM focuses on the responsibility to supply goods and services to clients and to society.
- Main measure of business continuity is substitution strategy to a company/organization's necessary resources.
- Example of the resources are:

key persons, important buildings, factories, facilities, information, finance, suppliers (materials, parts, service)

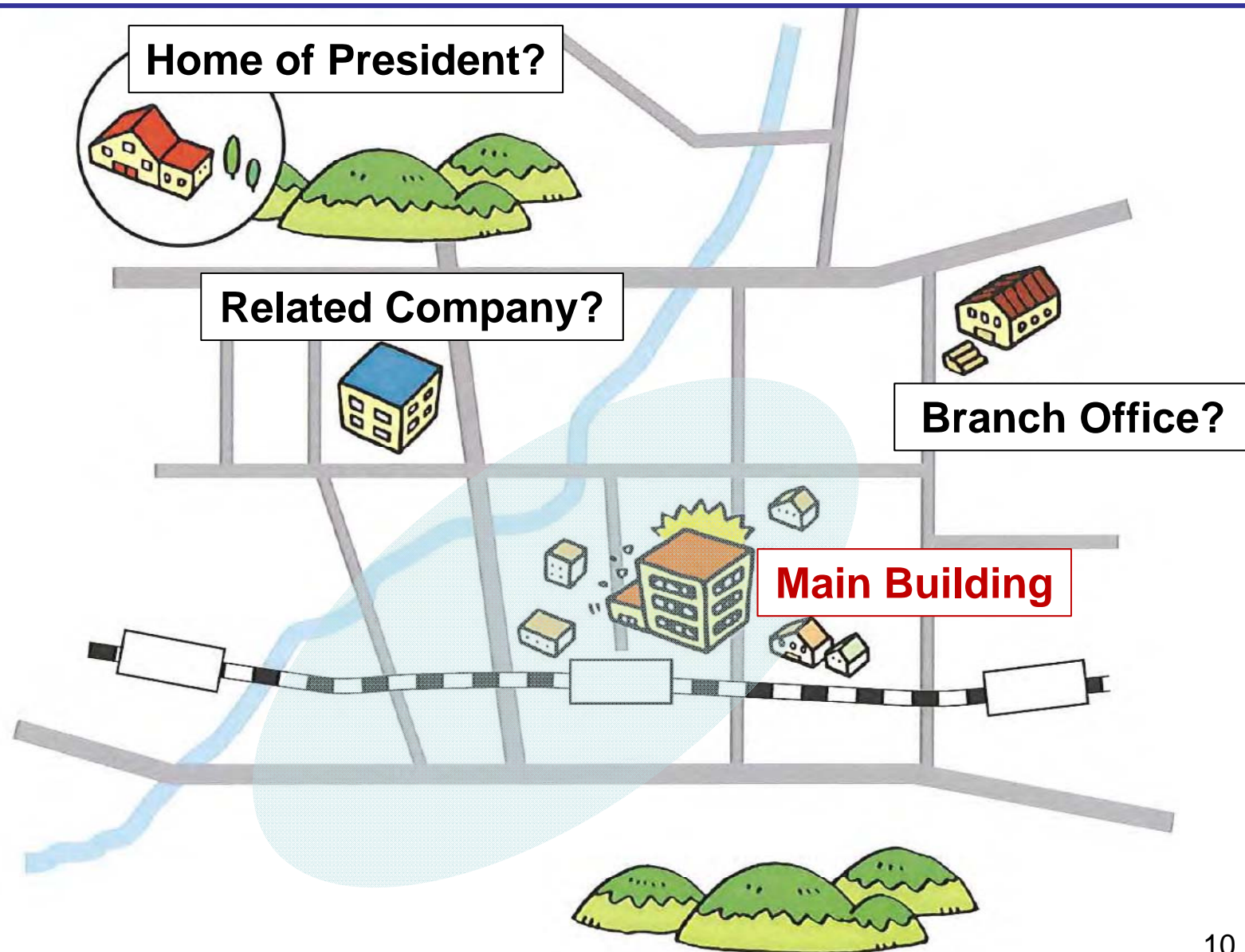
4.2 Substitute Strategy and Onsite Recovery Strategy



4.3 Methods of Securing Alternative Bases for Small and Medium-sized Companies ①

- It is not simple to provide a alternative base with the same level of facility of the regular/usual base.
- Methods that can be adopted
 - ① “Alternate communications base” from which the company can communicate with key persons and important business contacts, etc.
 - Some construction companies were able to attend recovery works even they suffer serious damage on their main building in GEJE.

4.4 Where should be the Alternative Information Base



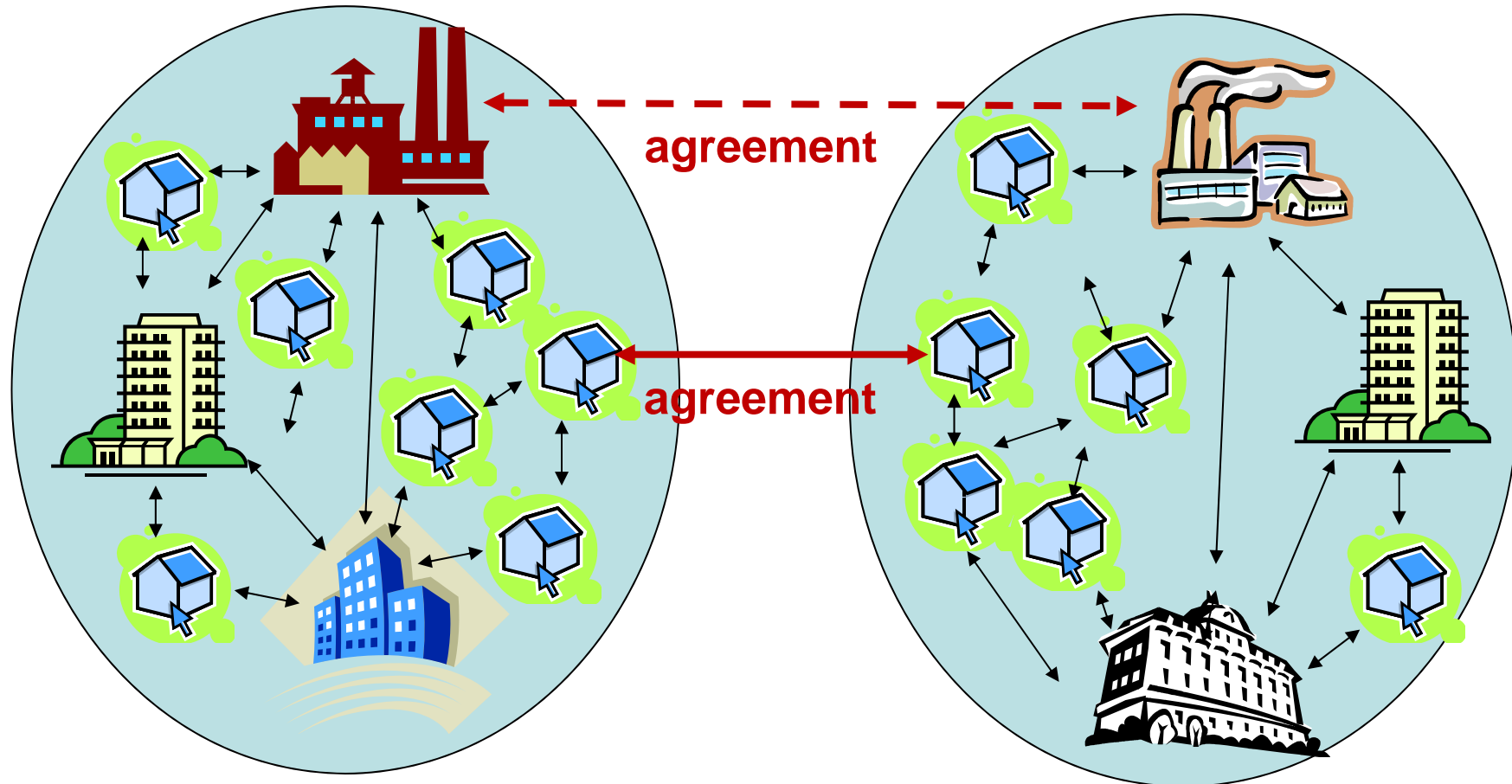
4.5 Methods of Securing Alternative Bases for Small and Medium-sized Companies ②

➤ Methods that can be adopted

② Agreement with another company in the same industry located in the distant.

- Two (or more) companies should have a strong mutual trust.
- There are several practical examples including in GEJE.
- If these companies can enjoy mutual profit routinely, it might be more widely adopted.

4.6 Agreement with Another Company in the Same Industry Located in the Distant



**Interdependent in an area
for Business Continuity**

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4.7 Methods of Securing Alternative Bases for Small and Medium-sized Companies ③

➤ Methods that can be adopted

③ To Plan virtual alternative facilities in another site, not construct, but exercise/drill repeatedly

- Maintaining alternative facility is often difficult because of unprofitability.
- Exercise and drill are effective for quick decision/action and to get necessary goods and services just after a disaster.

5.1 Disruption of Supply & Companies' Response

- In Great East Japan Earthquake, enterprises confronting disruption of supply of essential materials, parts or components responded in three general directions:
- ① Assisting their damaged suppliers to recover;
 - ② Acquiring alternate sources of procurement for the unobtainable materials, parts and components;
 - ③ Redrawing specifications of products so that the unobtainable parts and components need not be used.

5.2 Improving Supply Chain against Disasters

Following effort should be considered:

- ① In setting specifications, narrow the parts that takes a role of strategic differentiation. For these distinguishing parts, seek to have suppliers secure alternative supply bases.
- ② For other parts, introduce and thoroughly apply rules which emphasize possibility of alternate procurement
- ③ When requesting suppliers to secure their own alternative supply bases, do not try to make the costs involved solely the burden of a subcontractor; provide whatever support you can.

6. Policies Applied by Government

- ① Revised Disaster Countermeasures Basic Law
 - Including the business continuity of supplier that provide goods and service needed in a time of disasters.
- ② Revised “Business Continuity Guidelines” of Cabinet Office in August 2013
 - Focusing on 1) substitute strategy, 2) periodical improvement, 3) exercises and drills, 4) commitment of top management.
- ③ Published good examples of BCP exercises/ drills
 - Conducted by ten or more companies.

6. Policies Applied by Government

- ④ Now revising BCPs of all ministries
 - Based on “the Proposed Plan of Operational Continuity of Government (Countermeasures for Tokyo Inland Earthquake) published in December 2013.
- ④ Preparing the revision of “Guidance & Commentary on Business continuity of Local Government at the Time of Earthquake.”

7. CONCLUSION

- ① Individual company and public organization should improve business continuity ability to attach importance to substitute strategy.
- ② Business continuity of public and private organizations are mutually interdependent. Linkage and cooperation are necessary.
- ③ Exercise and drill operated by many organization seems to be effective.
- ④ Mutual support agreement at a time of disaster with another company in the same industry at some distant should be improved.



Thank You



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