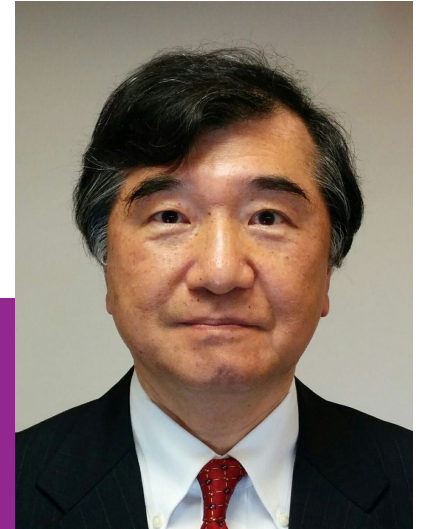


# PROPAGATION OF BUSINESS CONTINUITY MANAGEMENT TO SMALL AND MEDIUM ENTERPRISES



**NAME** Satoru NISHIKAWA Ph.D  
**AFFILIATION** Professor, Nagoya University, Disaster Mitigation Research Center  
Vice President, Business Continuity Advancement Organization BCAA  
**CONTACT** nishikawas@nagoya-u.jp



# THE NIIGATA-CHUETSU EARTHQUAKE 2004



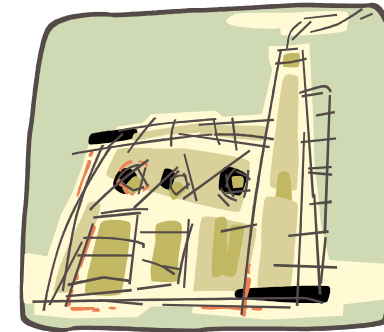
# WHAT HAPPENS WHEN A COMPANY IS HIT BY A DISASTER?

- Your Customers and Bank will come to express sympathies.
- The next day

and



One week later → What for ?



(This is a real story in 2004 Niigata Chuetsu Earthquake)

- The customer "Will this company resume supply of necessary items for me within permissible timeframe?" "If not, **I have to look for alternate supplier.**"
- The bank manager will give a deep look at the face of the company president. To see if he is energetic to resume his business. If not, **no lending of recovery funds.**

# Niigata Chuetsu Earthquake hit on 23 October 2004



Who will supply the seasonal rice cake products on this shelf on 1 Dec.?



October is the rice harvest season



Rice Crackers



Festival Rice Cakes for New Year

Two Rice Cracker & Cake companies made their best effort to resume operations a.s.a.p. Despite some damage to their factory. They even hired additional workforce to speed up their production. They defended their “shelves” ≡ “market” on 1 Dec.

# LONG EFFORTS TO INVOLVE THE BUSINESS SECTOR IN JAPAN DISASTER REDUCTION ACTIVITIES BY THE CORPORATE SECTOR, WHY ARE THEY NECESSARY?

- ① Interruption of smooth provision of goods/services will cause economic loss.
- ② Corporate Citizenship: as a member of community
- ③ Who should be responsible for the safety of employees and customers in offices, shops and factories ?

(as stated in the **Annual Official Report on Disaster Countermeasures 1991 edition**)



1995 Hanshin-Awaji(Kobe) Earthquake, damage to factories

2000 Tokai Torrential Rains, suspended automobile parts manufacturing

2001 World Trade Center 911 Terrorist Attack in NY, quick resumption by backup office

2004 Niigata-Chuetsu Earthquake, damage to electronic parts manufacturing



**Stronger interest by the Business Community for Disaster Risk Reduction**

**“Business Continuity Planning Guideline 1<sup>st</sup> Edition”** Published by the special committee under the Central Disaster Management Council, August 2005

1991 Edition

平成3年版

防災白書

国土庁編

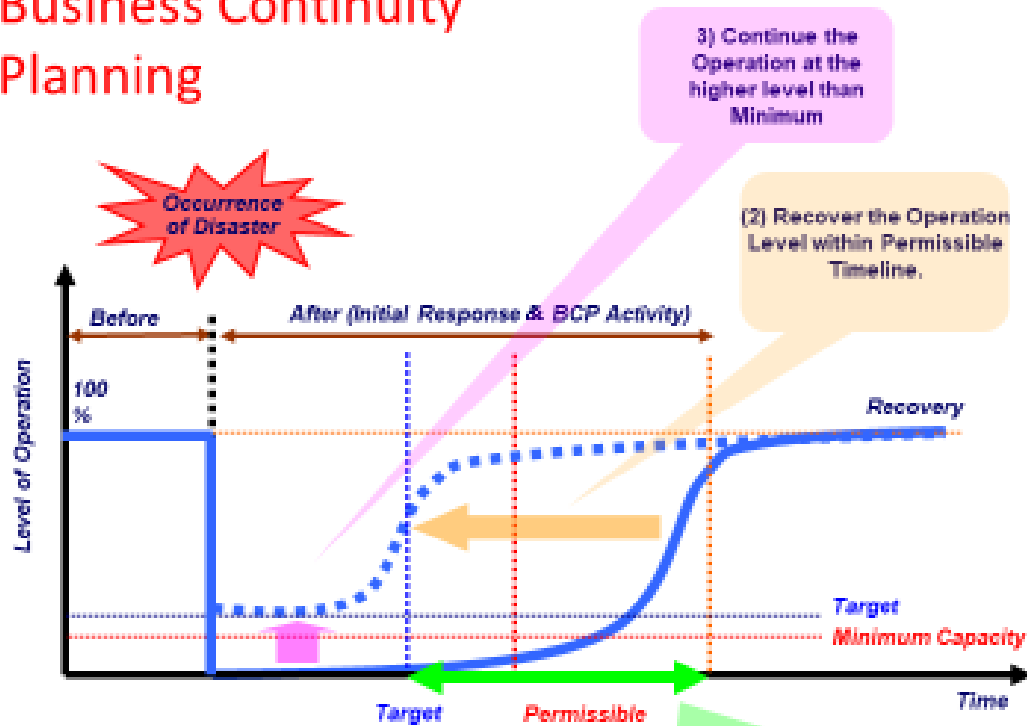


S. Nishikawa was the main author of this edition

# Efforts to propagate the Idea of Business Continuity in Japan

## Business Continuity Planning

### Business Continuity Planning



— Estimated Recovery Curve without BCP  
..... Recovery Curve with BCP

#### Publish Set of BCP Guidelines & Checklists

- ① Business Continuity Guidelines 1<sup>st</sup>ed(2005) – 3<sup>rd</sup>ed(2013).
- ② Checklist for Business Continuity Guideline
- ③ Sample models of Business Continuity Plan
- ④ List of the issues for self-evaluation regarding “Corporate Disaster Reduction Activities”
- ⑤ Sample reports for public relations on Corporate Disaster Reduction Activities

#### Policy Incentives

Special Low-interest Loan by DBJ



followed by local banks  
Shiga Bank, Kyoto Bank

#### Create a Sense of Common Practice

Japan Business Federation



Committee on Risk Management  
Encourage business unions to form their own BCP guidelines

#### Newly Organized a Non-Profit Organization BCAO

Annual BCAA Awards to highlight Best Practices by

companies, business unions, local public-private-partnerships



Organización de Avance de la Continuidad del Negocio

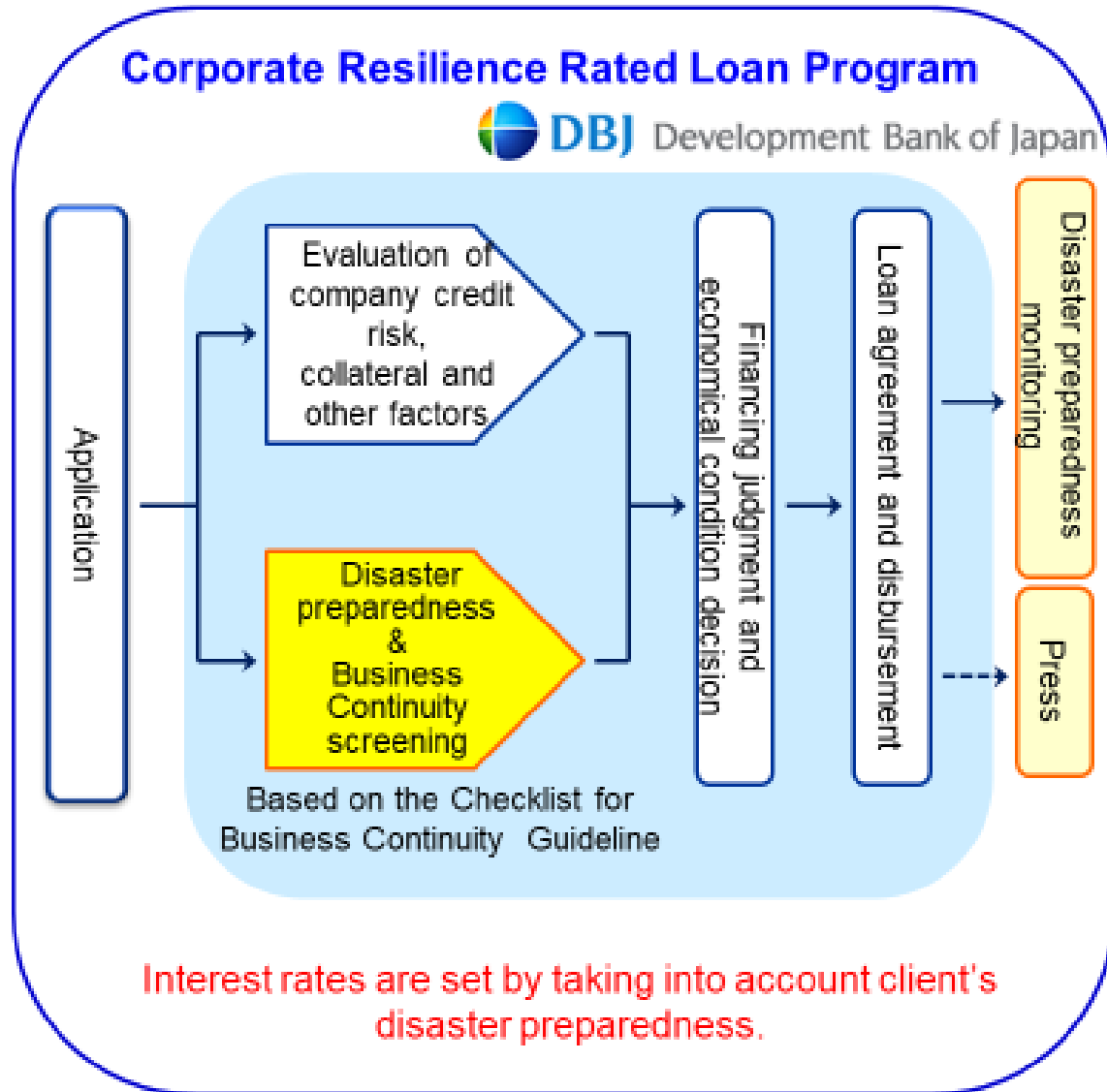
BCP Guidelines for Medium & Small Business with



THE TOKYO CHAMBER OF COMMERCE AND INDUSTRY

# Incentives for Investment for Resilience by Large Businesses

## Propagation of BCP



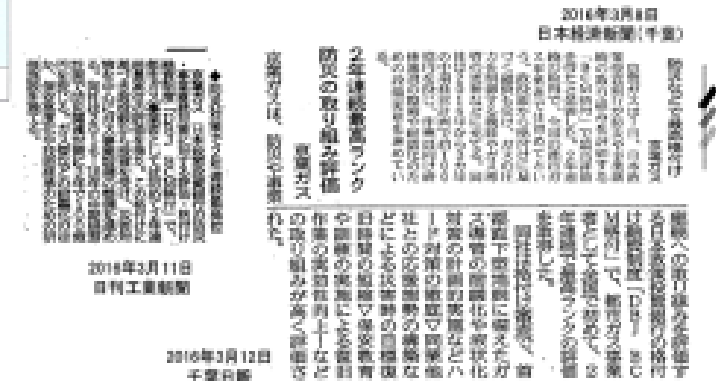
## Propagation through Business Newspaper Columns

Every Time a new Company is granted BCM Loan, DBJ issues press releases which always attract attention and covered by newspaper.



**Good Reputation works as Incentive for Companies**

Logo of companies recently granted BCM loans



## How do these efforts pay ?

Rapid propagation of BCP to Japanese Companies  
(ratio of companies with BCP or under development of BCM)  
Large-scale companies

2007	2011	2019	Target
35.3%	72.3%	83.4%	Almost All

Medium-sized companies

2007	2011	2019	Target
15.8%	35.7%	52.9%	Half

Special Low Interest Loan lending by DBJ (2006 to 2021 F.Y.)

Number of Cases Granted	Total of Low Interest Loans
421	536 billion yen (US\$4.12 billions)

Laureates of BCAO Awards

- The Development Bank of Japan (awardee of 2006)
- Lawson Company (awardee of 2011)

featured in the World Economic Forum Global Risks 2012  
Seventh Edition

<http://www.weforum.org/reports/global-risks-2012-seventh-edition>



Japanese BCP tested in March 2011  
Implementation of Business Continuity Plan (BCP)  
enabled quick resumption of companies



Convenience Store Chain quickly resumed retail service by mobile truck shops



©Suzuki Kogyo Co., Ltd

Medical waste recycling company resumed operation in 2 days, critical service for hospitals



# Incentives for Investment for Resilience by Small Businesses

Public Private Partnership for Pre-Disaster Investment  
Low Interest Loan by Local Credit Union in Tokyo with Tokyo Metropolitan Govt

昭和56年(1981年)5月以前の木造建築物限定  
耐震改修工事資金融資

固定金利  
年1.400%  
[返済期間]10年以内

変動金利  
年1.600%  
[返済期間]10年超20年以内

変動金利  
年0.825%  
[返済期間]10年以内

西京信用金庫

lowest 0.825% loan for Seismic Retrofitting of  
Wooden Houses built before 1981  
without collateral up to JPY 5 million (US\$ 43,860)

lowest 0.975% loan for Disaster Mitigation Investment by Small &  
Medium Enterprise up to 480 million JPY (US\$4.2 million)  
without collateral up to JPY80 million (US\$701,754)

If the local economy is to  
collapse by future earthquake,  
how can the local credit union  
continue their business ?  
Motivation for PPP

西京信用金庫は東京都と連携した政策特別融資  
「西京防災融資」を実施しています。

西京防災融資「そなえ」

固定金利 年1.20%  
変動金利 年0.975%  
保証料率最大0.4%  
相当の信用保証料補助!

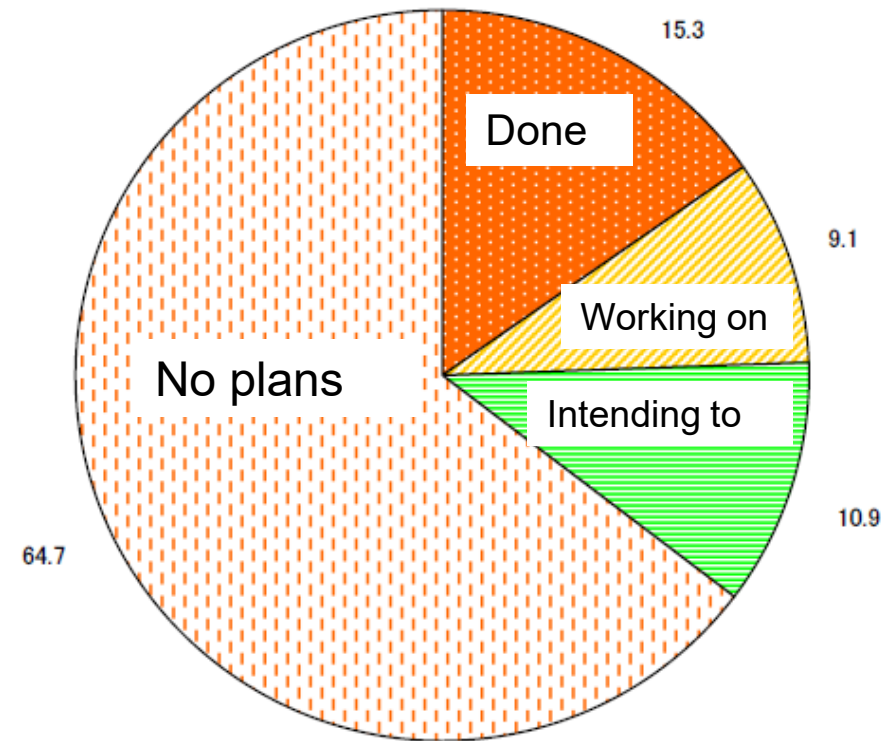
西京防災融資(中小企業) 安心の融資サービスで、業務を継続してください。

西京信用金庫

# HOW IS BUSINESS CONTINUITY MANAGEMENT ACCEPTED BY SMALL AND MEDIUM ENTERPRISES?

■すでに策定済みである    ■現在策定中である    ■策定する計画がある    ■策定していない

Only 25% of SMEs are working on business continuity management.



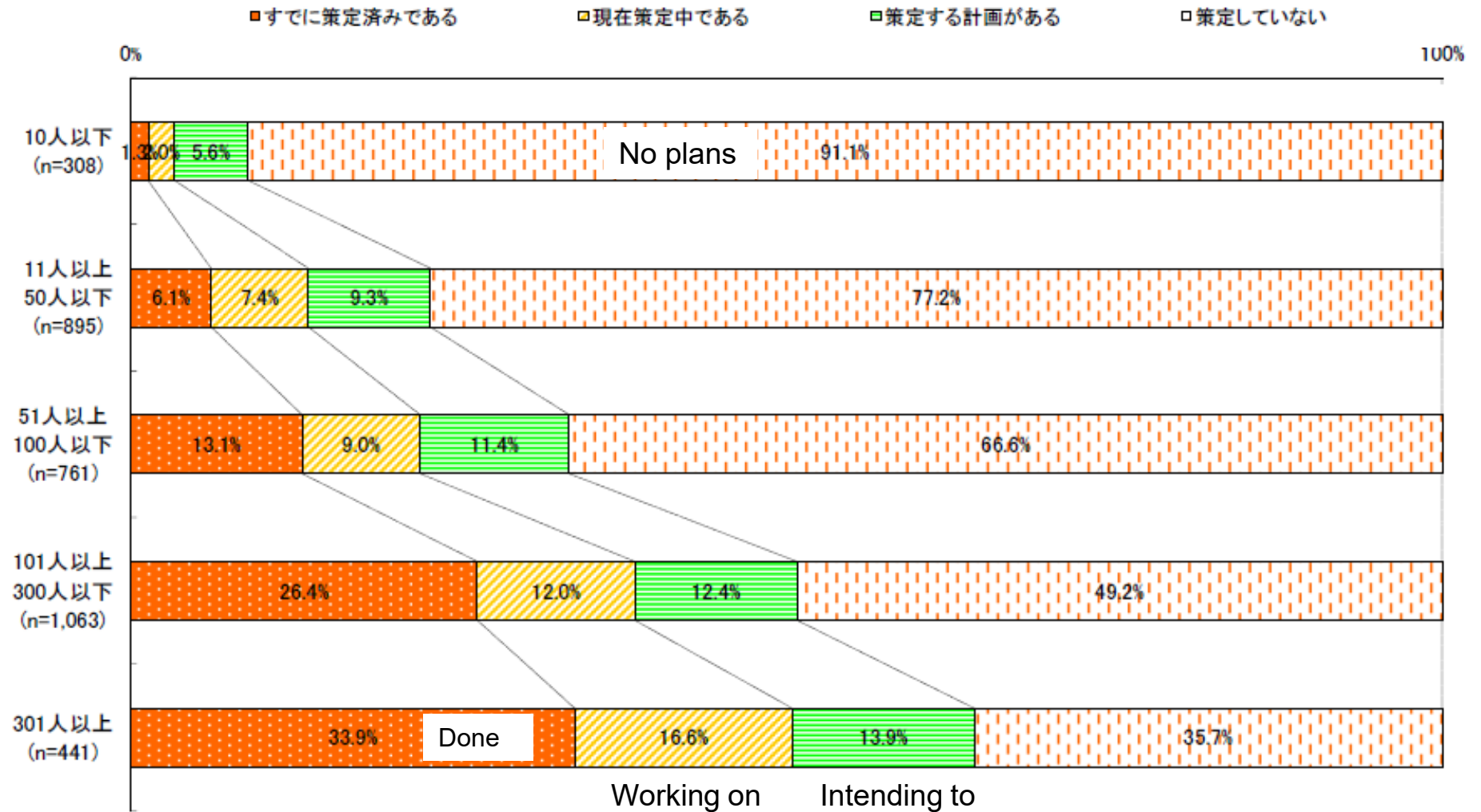
Survey done in 2015

[https://www.meti.go.jp/meti\\_lib/report/2016fy/000521.pdf](https://www.meti.go.jp/meti_lib/report/2016fy/000521.pdf)

# Smaller Businesses tend to be not prepared for business continuity

## Percentage by business size group

Smaller companies are reluctant to tackle business continuity management.



出所：中小企業庁委託「中小企業のリスクマネジメントへの取組に関する調査」(2015年12月、みずほ総合研究所(株))

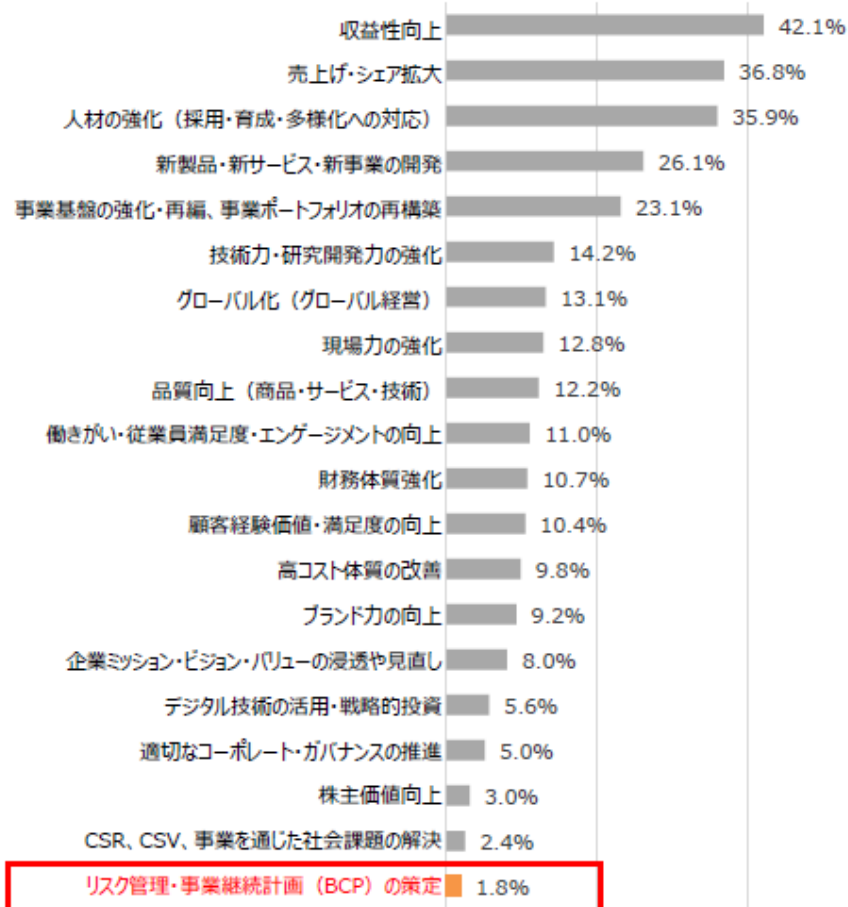
(注) 1. 中小企業のための集計値。中小企業は、中小企業基本法第2条における中小企業を指す。

# Business Continuity Management is not regarded as priority issue by SMEs

Risk management ranks very low in the priorities for SMEs

34% of SMEs claim that they have never seen hazard maps, low awareness !

図1 当面する経営課題（複数回答）



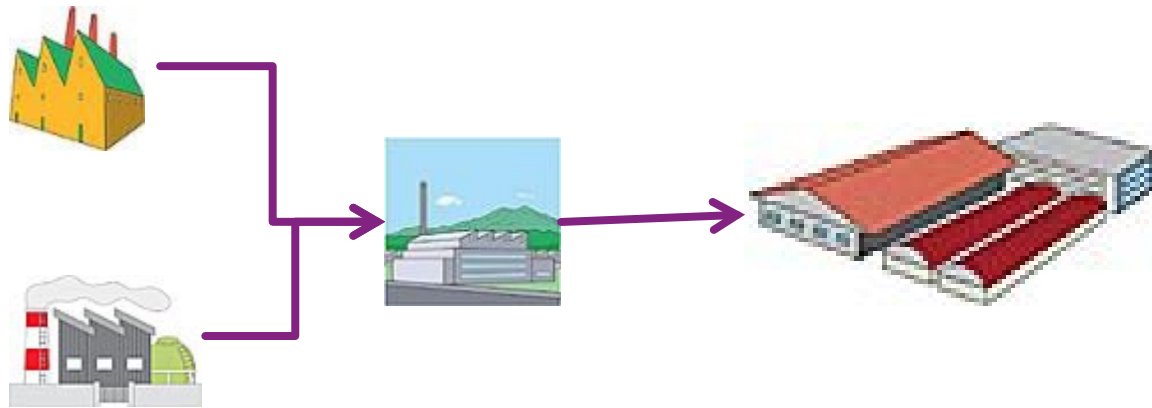
（出所）日本企業の経営課題2017 一般社団法人日本能率協会

図2 ハザードマップの認知状況



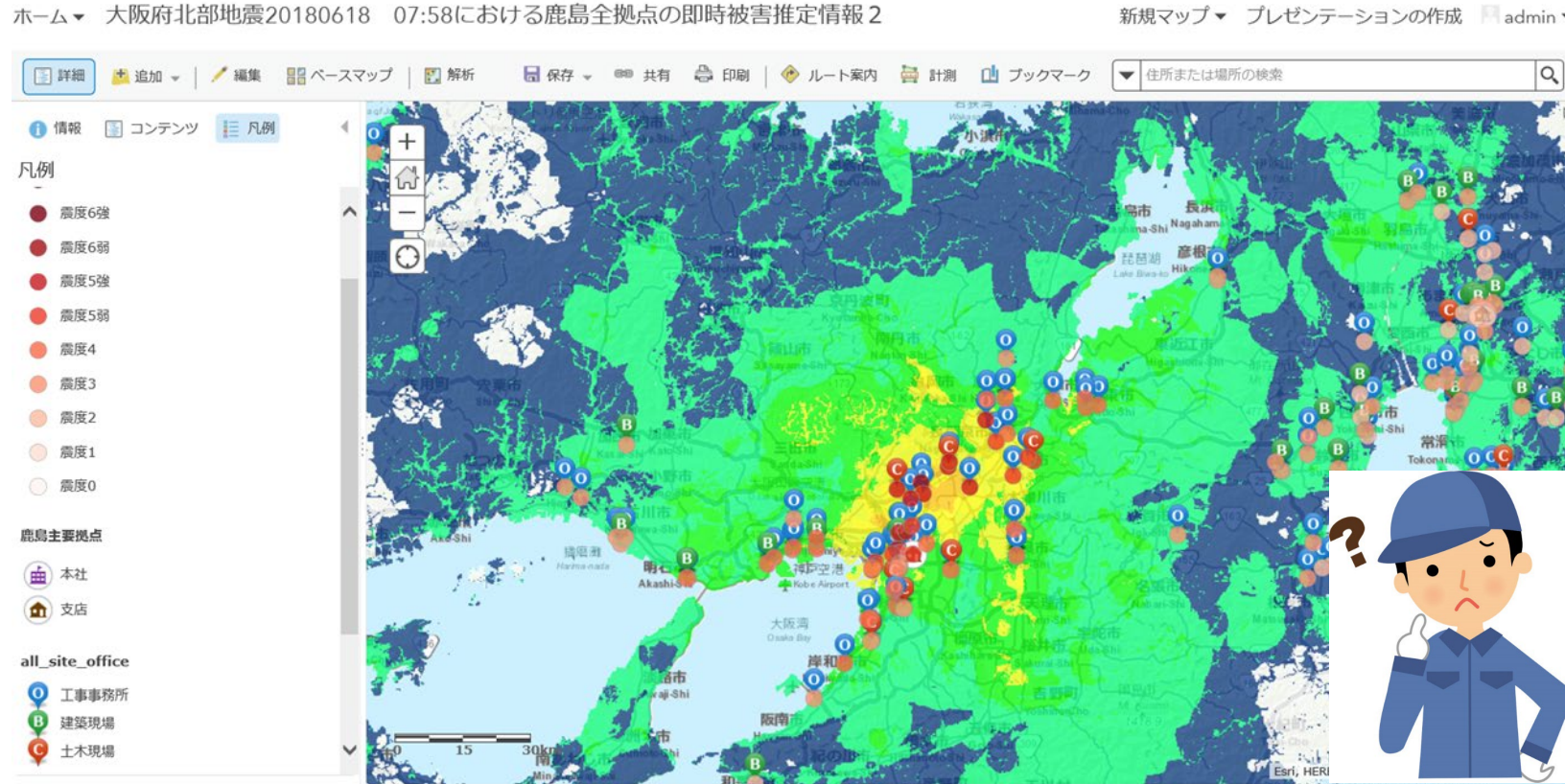
（出所）中小企業庁・リスクファイナンスに関する調査（2018）  
※地方経済産業局経由で、全国806社の中小企業に対してアンケート

# MOST OF BUSINESSES DEPEND ON SUPPLY CHAINS LARGE COMPANIES ALONE CANNOT OPERATE



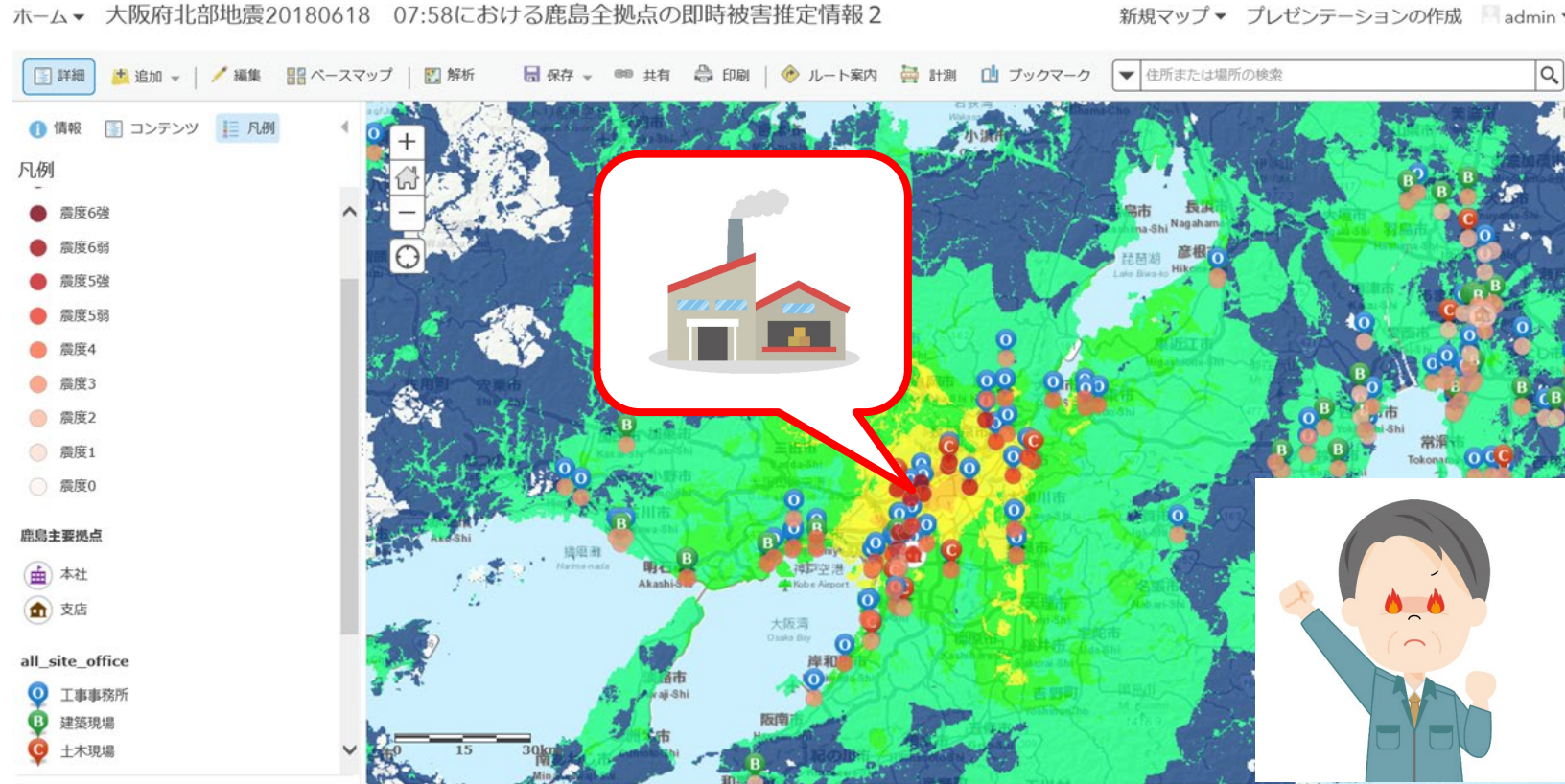
- The risk at each of the suppliers, the probability of business interruption time  $+$
- The combined risk  $\Rightarrow$  Business interruption time of the supply chain can be estimated.
- Large businesses depend on numerous suppliers: SMEs

# How can we motivate SME owners to think about business continuity ?



Unless we provide “Acute Information” to SME owners to feel that **it really matters to them**, they will not take action.

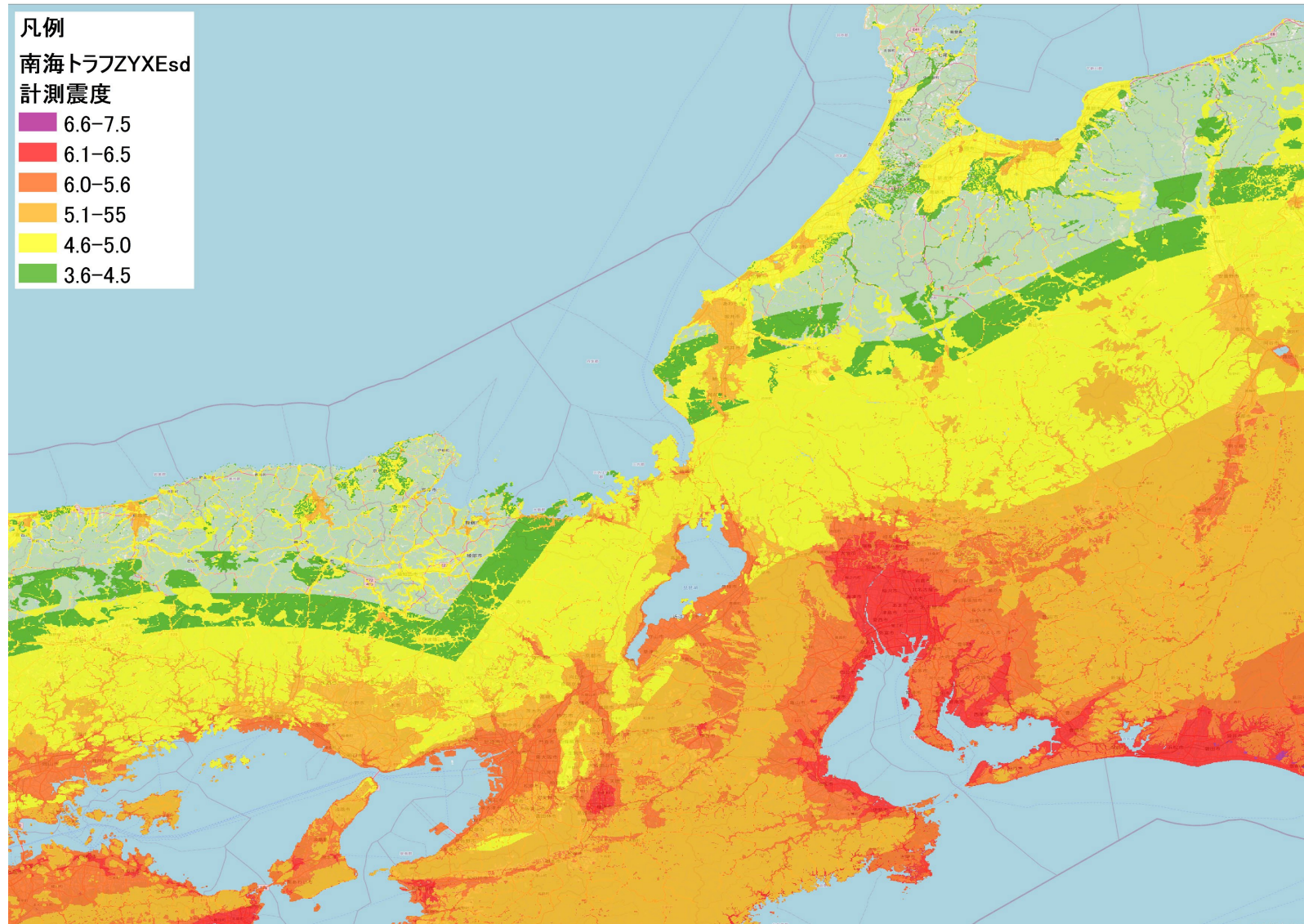
# How can we overcome the “Last One Mile Issue” for Business Continuity?



If we can provide **“Acute and Timely”** information to SME owners, we may be able to motivate them to take action.

# Dialogue with SME owners, through SME unions and Junior Chambers of Commerce

in Aichi Nagoya by showing Risk Maps and asking what scale and type of info is useful.

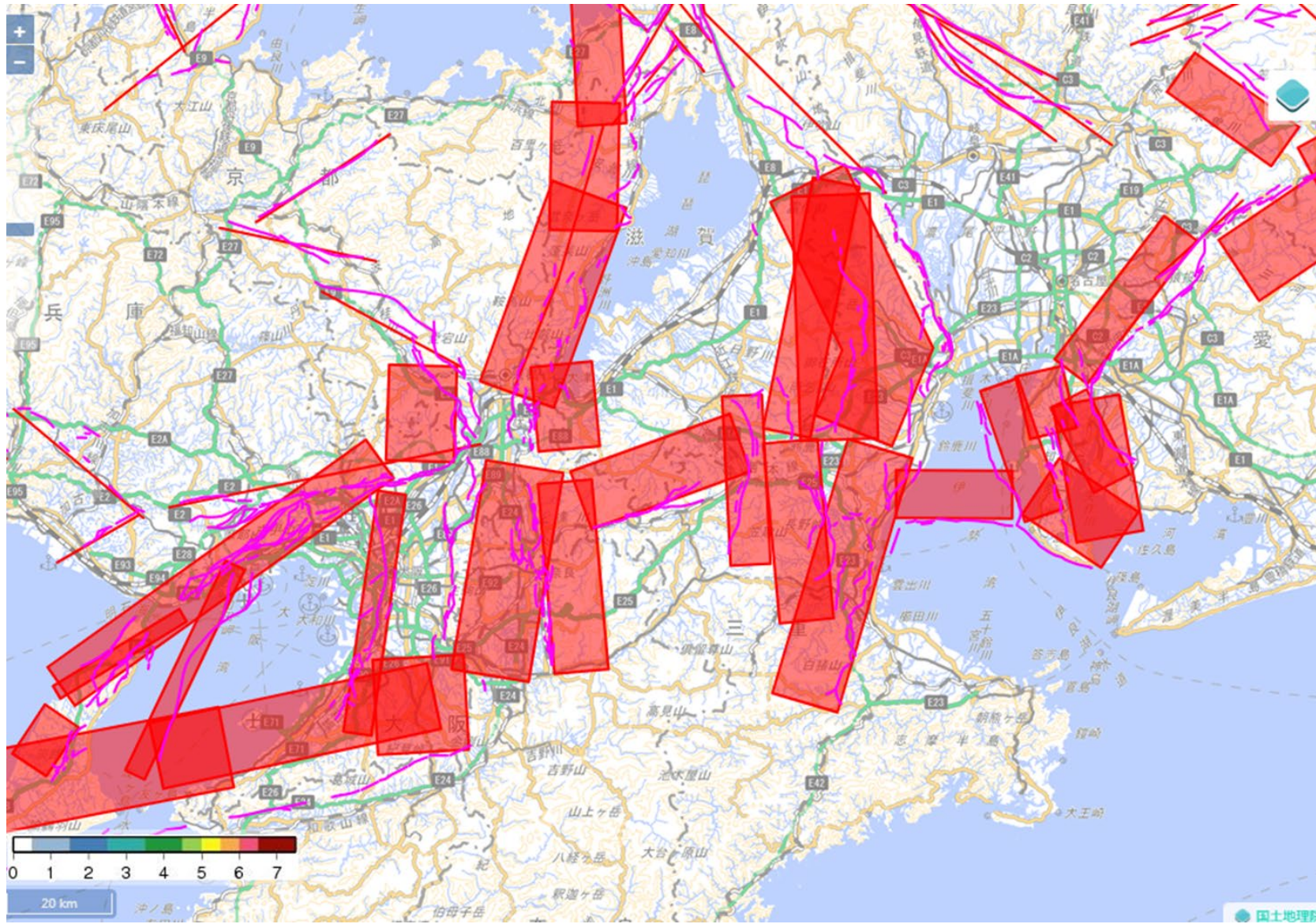


Estimated  
seismic intensity  
by future Nankai  
Trough Ocean  
Tectonic  
Earthquake



# Dialogue with SME owners, through SME unions and Junior Chambers of Commerce

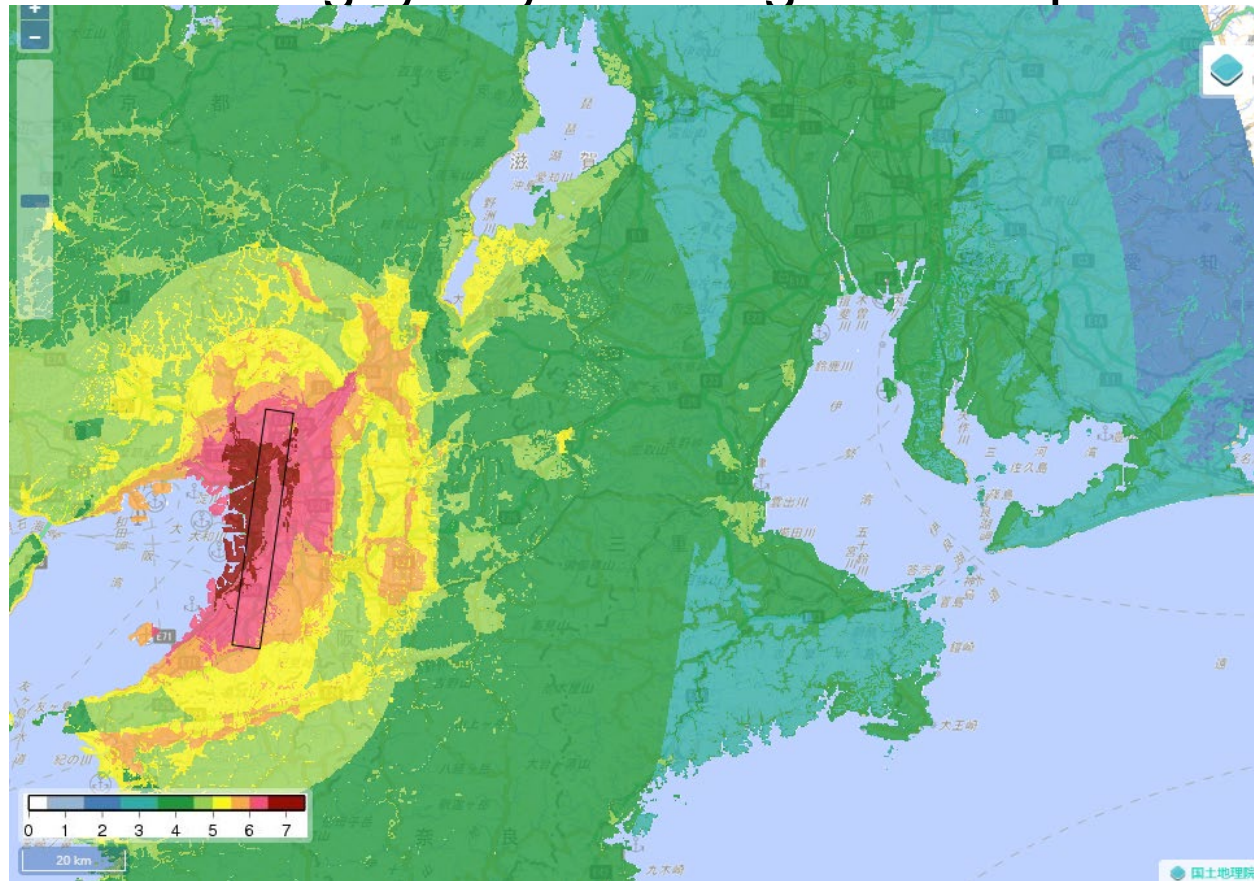
in Aichi Nagoya by showing Risk Maps and asking what scale and type of info is useful.



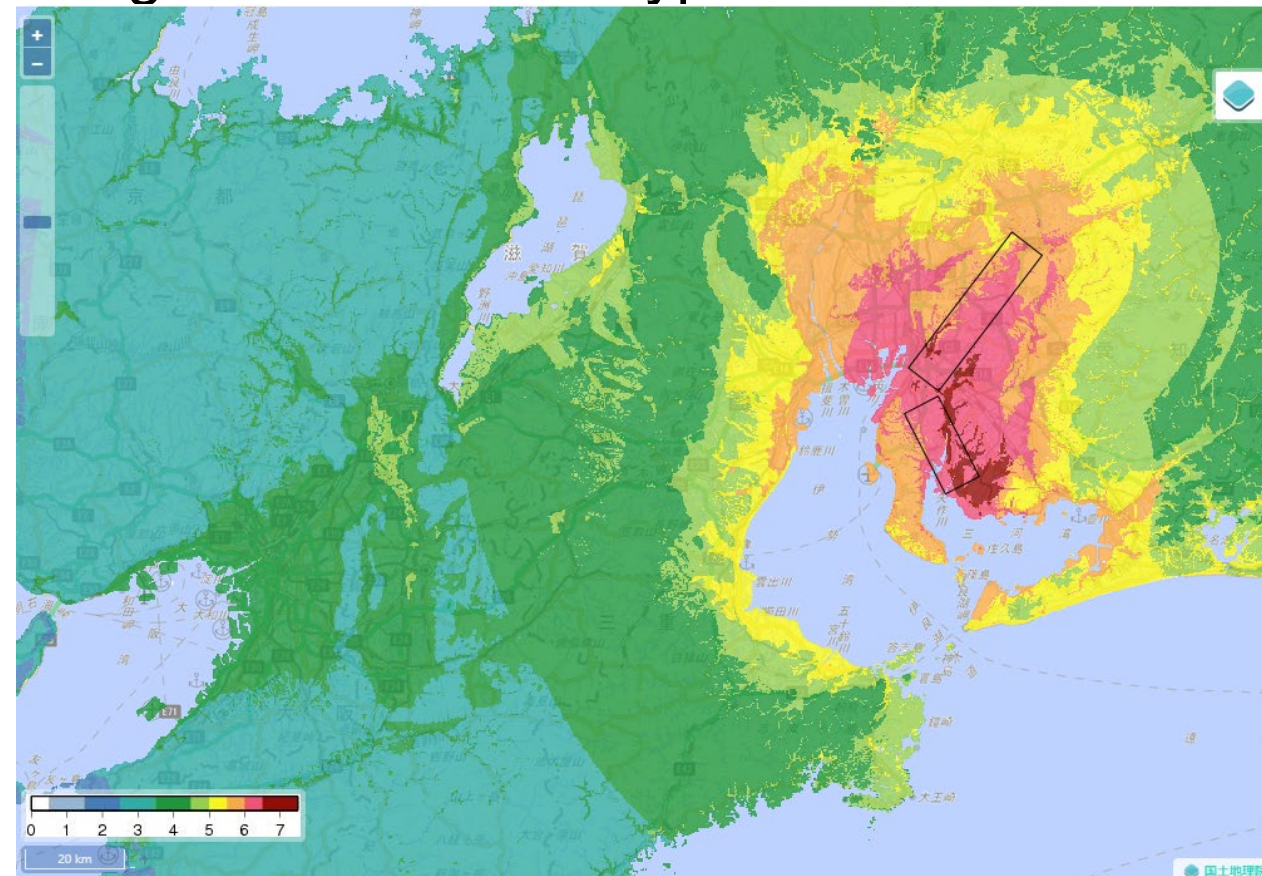
Active fault map covering Nagoya and Osaka Metropolitan Areas

# Dialogue with SME owners, through SME unions and Junior Chambers of Commerce

in Aichi Nagoya by showing Risk Maps and asking what scale and type of info is useful.



Case1: Active fault in Osaka rupture.  
Nagoya companies will not be directly damaged but their supplier/customer may be damaged.



Case2: Active fault near Nagoya rupture.  
Nagoya companies will be directly damaged.

# VARIOUS OPPORTUNITIES TO ACCESS YOUNG SME OWNERS BY JUNIOR CHAMBERS OF COMMERCE IN NAGOYA



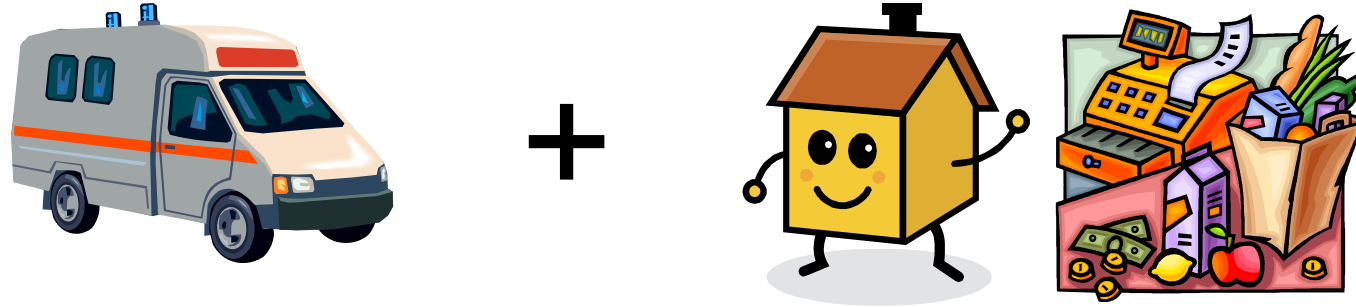
## Convince SME owners, through SME unions and Junior Chambers of Commerce

- Making Business Continuity Plan is not the purpose.
- Disasters do not happen as anticipated. If an event happens as anticipated, it will not likely to turn into a disaster, since there will be preparedness for such.
- Business continuity is planned so that the senior management of the company does to fall into panic when one or more of the important management resources (manpower, things, cash, information) are suddenly lost.
- Business Continuity Planning is to make the basis for realistic exercises to be practiced by relevant personnel in the company and make them prepared.

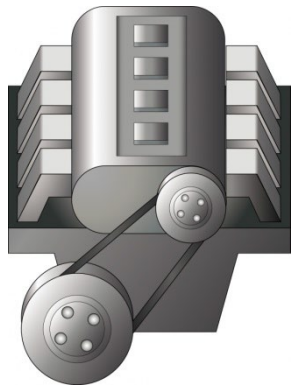


# HFA TO SFDRR: HOW CAN WE PROCEED?

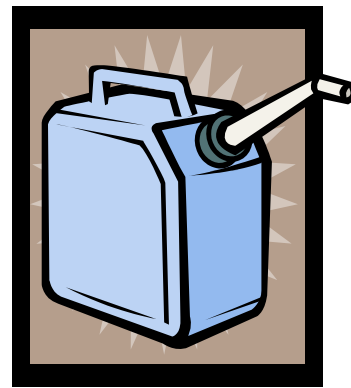
From “Saving Lives” to “Saving Lives & Livelihoods”



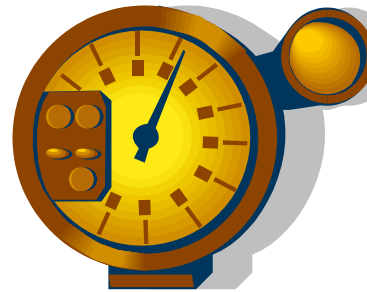
We Need  
Engines, Fuels and Meters to Drive SFDRR forward



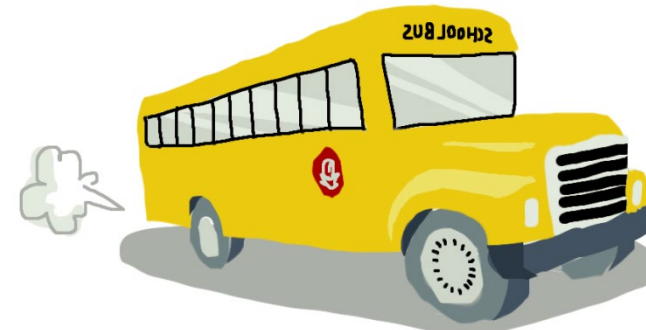
(national mechanism)



(finance & budget)



(statistics and  
measurements)



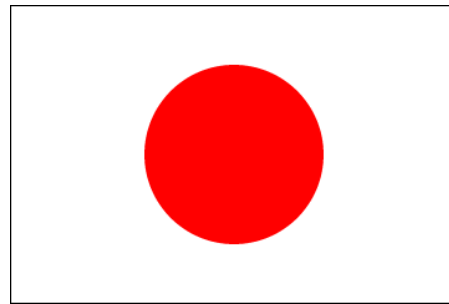
(with all stakeholders on board)

PROVERB BY JAPANESE PHYSICS SCIENTIST  
DR. TORAHIKO TERADA (1878-1935)  
WHO INVESTIGATED THE DAMAGE BY 1923  
GREAT KANTO EARTHQUAKE



**“Natural Disasters will hit us by the  
Time people have forgotten about it”**

How to foster & inherit the Culture of Prevention



***Thank you for your attention!***

