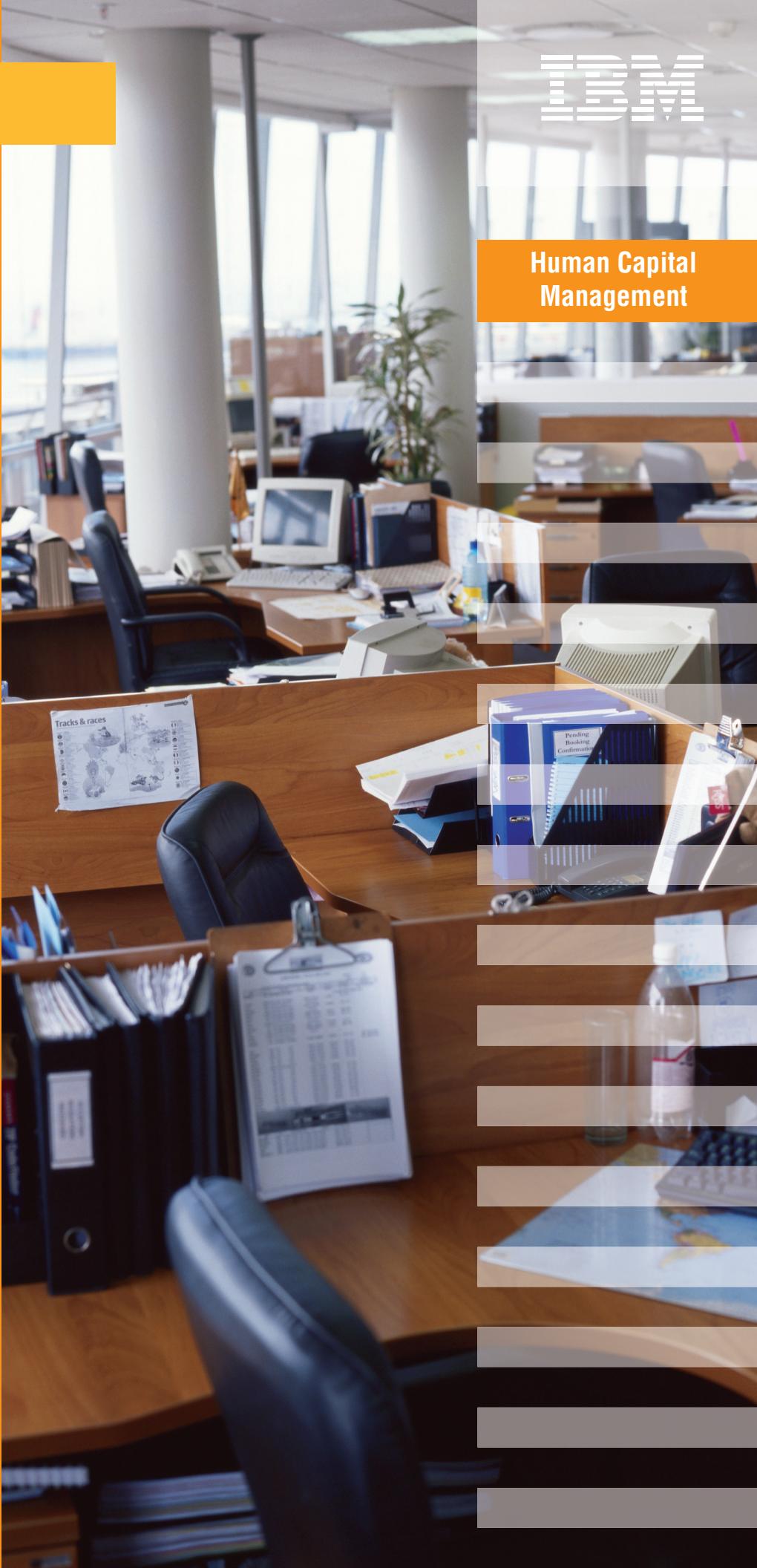


# The personal side of business continuity

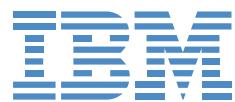
Addressing human capital management issues during crises



Human Capital Management

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# *The personal side of business continuity*

## **Addressing human capital management issues during crises**

*By Eric Lesser, Russell Lindburg and Tim Ringo*

*Recent business disruptions have affected organizations worldwide, with many finding themselves unprepared for the resulting impact on the workforce. While most businesses have continuity plans in place, many don't address a company's most precious assets: its employees. We have identified key areas for organizations to consider as they prepare themselves to handle the human side of business disruptions.*

The list of natural and man-made disruptions with which businesses have had to contend early in the twenty-first century is long. Many organizations have been impacted by the devastating effects of the September 11 terrorist attacks; bombings in London, Madrid and Bali; and acts of bioterrorism, such as those involving anthrax. The Severe Acute Respiratory Syndrome (SARS) epidemic, the South Asia tsunami and Hurricane Katrina also have had costly, far-reaching impacts on businesses. The most recent outbreak of influenza A (H1N1) has once again forced organizations to address a range of business continuity issues.

Disruptions resulting from these and other disasters have rippled across supply chains, shaken entire industries and taken their toll on employee, customer and partner relations. In addition to these short-term crises, companies and government agencies also are looking at longer-term disruptions, such as changes in financial markets, political stability, workforce demographics and customer buying patterns that, while not immediate, will have long-standing impacts on how organizations thrive in the future.

Chances are your organization already has started to reexamine ways to significantly reduce the impact that potential crises can have on your business processes and technology systems. Yet, even though your company's business continuity plan most likely serves to protect the company's physical assets, such as data, networks, core business applications and facilities, how well does it address the human side of business disruptions?

While it is important to build resiliency into your business operations, it's equally important to build it into your human capital. One way to help achieve human capital resiliency is to fully address the people-related components of business continuity planning. We have outlined some of the issues and risks related to human capital resiliency that could arise in any crisis. In addition, we have created a comprehensive framework designed to address them and help you assess how well your organization is currently prepared to handle the human dimensions of a business disruption.

# The personal side of business continuity

*Addressing human capital management issues during crises*

**Many organizations do not have a plan in place in the event that large numbers of employees are unable to work.**

## Human capital resilience – a new focus

Human capital resiliency can be defined as an organization's ability to respond and adapt rapidly to threats posed to its workforce. Organizations that build resiliency into their human capital are more likely to protect their most valuable resources and maintain continuous operations in the event of a crisis. Forward-thinking companies are already considering the impact of both short-term interruptions and long-term issues on normal business activities and identifying appropriate actions to sustain vital business processes in the event of a crisis.

The current threat of a worldwide influenza pandemic is driving new issues surrounding human capital resiliency into the spotlight. History shows that a pandemic flu threat is a rare but recurrent event. According to the Congressional Budget Office (CBO), there have been between 10 and 13 influenza pandemics globally since 1700, including three since 1900: Spanish flu in 1917–1918, Asian flu in 1957 and Hong Kong flu in 1968.<sup>1</sup> Though there have been medical advances since these situations, the increase in globalization and associated travel makes the spread of disease even more likely. Projections suggest that flu could potentially infect millions of people over an undefined period of time.

The CBO predicts that in a severe pandemic scenario, 30 percent of employees would become ill, missing an average of three weeks of work. The report also projects that 2.5 percent of those who become ill would die.<sup>2</sup>

In this scenario, not only would employees be forced out of the workforce directly because they are ill, but also because they could be required to care for children and other household members. This further magnifies the challenges associated with maintaining a productive and engaged workforce. Despite the risks associated with this issue, a 2007 study by CCH, a division of research and software solutions firm Wolters Kluwer Law & Business, found that only 27 percent of companies had a plan in place in the event that a large percentage of employees fall ill, up from 14 percent in 2006.<sup>3</sup> Similarly, a study by Forrester Research found that while 77 percent of companies have business continuity plans in place, only 68 percent of those companies have strategies in place to address workforce continuity.<sup>4</sup>

## Crisis-related human capital risks

In a crisis, many organizations will be challenged to safeguard and support employees while continuing to deliver the services needed to keep the business operational and revenue flowing. IBM has identified three primary areas in which human capital issues and risks associated with crises can be grouped: ability to attend work, ability to deliver critical internal services and ability to maintain business operations (see Figure 1).

**FIGURE 1.**  
**Three primary areas in which a crisis can compromise human capital.**



*Source: IBM Institute for Business Value.*

### **Ability to attend work**

#### **Health and safety concerns**

There's no doubt that employee attendance will be affected during a major business disruption. If employees have lost or been displaced from their homes, they will need to spend time finding new housing, and some may even need to move to new locations. In the event of a pandemic, attendance may be significantly reduced for an even longer period of time. Even employees who are not directly affected by a situation may need to miss work to look after the health and safety of family members or may elect to stay at home out of concern for their own health. For example, tens of thousands of children in the United States and Mexico were required to stay away from school (with very little warning) due to outbreaks of influenza A (H1N1) in 2009.

In addition, employers have a moral and legal duty to safeguard their employees and the integrity of their businesses. For example, in the United States, The Occupational Safety and Health Administration (OSHA) requires that employers furnish employees with a place of employment free from recognized

hazards likely to cause death or serious physical harm.<sup>5</sup> Governments also frequently implement non-pharmaceutical interventions, such as limiting public gatherings, that may mandate the closure of business for days or weeks. For example, during the H1N1 crisis, the government of Mexico placed restrictions on attending sporting events, restaurants and movie theatres in an attempt to reduce the spread of the disease.<sup>6</sup>

#### **Transportation**

Employees who are willing and able to work through a crisis simply might not be able to get to their work location. Public transportation systems may be disrupted, as occurred during Hurricane Katrina, or international travel restrictions could be in force, as occurred during the SARS and H1N1 influenza outbreaks. Even smaller-scale disruptions, such as transit strikes and blizzards, can significantly impact employees' abilities to get to work.

#### **Trauma**

During a significant crisis, employee shock and grief also can lead to increased absenteeism, as well as to higher turnover and

**In a crisis, even employees who are willing and able to work may be unable to physically get to their work locations, and those that do work may find themselves doing roles for which they have little training.**

reduced productivity. A range of stress-related services, such as individual and group counseling and medical services, may be required to help employees confront emergent issues – and enable them to address the crisis more rapidly, so they can focus on their work and tackle disaster recovery activities. This includes individuals on the “front-lines” of the recovery effort, as well as others who are impacted by the situation.

### ***Ability to deliver critical internal services***

#### **Communications**

Mobile phone, landline phone and other communications networks can be destroyed or become dysfunctional during a disruption, making it difficult to locate employees and share critical information. In addition, individuals may find it difficult to collaborate and tap into their normal social networks, as their ability to work at the same location at the same time may be disrupted. Given the need for close coordination during a crisis situation, the inability to physically bring people together can significantly hamper the rapid decision making needed during recovery efforts. In addition, without normal communication channels, your organization may be limited in its ability to maintain business relationships with customers and business partners.

#### **Payroll**

Maintaining payroll is essential yet challenging during and following a crisis. If your payroll system is inaccessible, funds are limited or the staff members who are responsible for payroll are absent, it's going to be difficult to pay employees in a timely manner. While the automatic depositing of employee payroll directly into employees' bank accounts can mitigate this risk, there are many situations where checks still must be delivered manually (e.g., employees who do not have bank accounts or in emerging economies

where payroll can not be directly deposited). Employees also may need disaster relief funding, which requires coordination from a variety of internal and external sources.

### ***Ability to maintain business operations***

#### **Keeping track of employees**

Limited access to critical personnel data, such as emergency contact information, user identification and password information, and individual skills sets records, can hamper your organization's ability to resume operations after a disruption. If your organization cannot determine which employees have been impacted by the crisis or how they have been affected, it will be difficult for decision makers to determine the company's next steps. For example, during a pandemic, individuals who have traveled to a particular region may need to be isolated or seek medical attention even after they have returned home. Recovery efforts can be further hampered if your organization cannot locate key personnel, access core business systems, or identify and organize potential replacement workers.

#### **Succession and training**

In situations where leaders are incapacitated or unavailable during a disruptive event, organizations must quickly find suitable replacements. If your company has not engaged in formal succession planning, individuals at all levels may be forced to take on leadership roles or increased responsibilities with little or no preparation. Staffing issues also can emerge as a reduced workforce tries to cope with the demands of an increased workload. Skill gaps can also become a problem as workers try to carry out new jobs for which they have little training. In addition, crises may require changes in employee locations and schedules that are difficult to coordinate in a fast-changing environment.

The recent economic environment and changing workforce demographics have further increased the risks associated with the transfer of knowledge and expertise during a crisis situation. Many organizations today have fewer employees, and those employees have greater responsibilities, which makes it more difficult for replacements to simply “step in” in the event that individuals are unavailable for long periods of time. Some roles have been replaced by contractors, who may not be authorized to make decisions outside their defined roles. Companies also have found that their organizational memory has been eroded, as a combination of layoffs and early retirements has left them with a lack of depth and experience in the inner workings of legacy systems and processes. Without proper planning, these challenges can quickly become exacerbated in a crisis situation.

## A people-focused approach

Every organization should have and regularly maintain a crisis management plan. The crisis management team, defined in the plan, is usually composed of a core management team and a rotating team depending on the expertise needed to address the crisis. The crisis management team should periodically test the crisis management plan against a variety of scenarios to understand the human capital implications.

Responsibility for effectively identifying and addressing the human dimensions of your crisis management plan stretches across the organization. We have developed a framework designed to help you address the critical aspects of preparing for and responding to the human side of business disruptions (see Figure 2). Some dimensions are frequently

**FIGURE 2.  
Critical human capital dimensions of a business continuity plan.**

Policies and communication	Employee education and support	Virtual infrastructure	Job training	Talent management
<ul style="list-style-type: none"> <li>• Review policies for relevance to a crisis situation</li> <li>• Plan for continual and effective dissemination of information</li> </ul>	<ul style="list-style-type: none"> <li>• Provide preparatory advice prior to crisis situations</li> <li>• Provide support for employees and families</li> </ul>	<ul style="list-style-type: none"> <li>• Enable employees to work from anywhere at any time</li> </ul>	<ul style="list-style-type: none"> <li>• Consider how staff are prepared for any kind of immediate change in role and/or skill set</li> </ul>	<ul style="list-style-type: none"> <li>• Identify critical roles</li> <li>• Plan for a seamless leadership transition</li> </ul>
<b>Human resources (HR) systems and reporting</b>				
Assess how robust HR systems can be used to complement operations during a crisis				
<b>Organizational culture</b>				
Create a responsive, resilient culture that can run the business				
<span style="background-color: #003366; color: white; padding: 2px 5px;"></span> Frequently addressed	<span style="background-color: #3366CC; color: white; padding: 2px 5px;"></span> Occasionally addressed	<span style="background-color: #CCCCCC; color: black; padding: 2px 5px;"></span> Frequently not addressed		

*Source: IBM Institute for Business Value.*

**Organizations should test their crisis management plans against a variety of scenarios to assess how well they protect human capital resiliency.**

addressed by companies in their business continuity plans, whereas others are just starting to gain visibility. For example, while many organizations have developed policies and education designed to keep employees abreast of updates during an event, fewer have planned for the need to work away from the office, cross-train individuals on key skills or develop a succession planning process that addresses a range of critical roles.

**Policies and communications**

Your organization's ability to respond in a timely, relevant manner to a situation depends in part on how well your organization has identified and documented – ahead of time and as part of the overall continuity plan – the policies and activities that will be most important to employees. For example, consider how policies regarding sick leave, travel and flex time can be adapted to apply specifically to times of crises. Also, clearly outline your company's immediate response capabilities, employees' roles and responsibilities, and the crisis communication strategy. Once an event occurs, keep policy and situation updates clear and concise and leverage as many different avenues of communication as you can, including voice mail, intranet sites, podcasts, conference calls, television and radio.

**Employee education and support**

Your organization should consider investing in an education program to teach employees how to effectively prepare and respond to different types of crises. Steps you can take include giving employees accurate, up-to-date information on disaster preparation; regularly updating and posting relevant policies; and training employees to implement emergency procedures.

Also, identify support services your company should offer in the event of a business disruption to maintain operations, and find appropriate providers to help deliver them. Resources an organization might offer during a crisis include counseling, medical and health services; housing and temporary shelters; childcare; and supplies. After a series of hurricanes in 2004, Health First, a group of not-for-profit hospitals in Florida, provided employees with 24-hour childcare, temporary housing, cash advances and transportation help. Recognizing the need to immediately address employees' shelter concerns, it also arranged to have fitted tarps placed on the damaged roofs of more than 300 employee homes.<sup>7</sup>

**Virtual infrastructure**

In the event employees cannot get to their primary work locations (such as during a transit strike) or choose to work offsite (to avoid risk of infection during an epidemic), make it possible for them to work remotely. TELUS, a major Canadian telecommunications company, has equipped its office staff across the country to work remotely with the aid of company laptops, software and security programs. About 18,000 employees are able to log in from home anywhere in Canada, including more than 800 customer service representatives who already telecommute.<sup>8</sup>

Adopting a virtual working environment requires that your company address specific technology and communication requirements, including remote access, desktop virtualization and collaborative workspaces (such as wikis, blogs and instant messaging). These technologies not only enable individuals to perform mission-critical tasks outside the office, they also make it easier for individuals to

regularly update their location and operational status. Further, these workspaces can make it easier to preserve the organizational memory in the event individuals are impacted during the crisis situation and their tasks need to be handed over to another employee.

The viability of a virtual workplace depends on the degree of portability of an employee's work. With proper planning, paper documents stored in file cabinets can be digitized and made available remotely. In addition, work processes, such as requiring a physical signature on a document, can be modified to allow geographically separated workers to continue their work.

### **Job training**

It's important that an organization identify critical business processes and train the appropriate personnel (including business partners) ahead of time in the event of a business disruption. Online tools and collaborative workspaces can be used to rapidly develop and deliver "on demand" training materials needed to get people up to speed on activities that they may be asked to execute during a crisis situation. Cross-training employees and providing access to subject matter experts on key skills and capabilities can enable them to take on new responsibilities if needed. In addition, job shadowing and mentoring between individuals in situations where experiential knowledge is critical or hard to capture are effective techniques for building redundant skills between employees.

### **Talent management**

To plan for replacements of key personnel, first identify business-critical roles, such as those that require important institutional knowledge, provide leadership or cultivate customer relationships. Second, identify sources of backup staff in the case of an emergency. Your organization should consider engaging external partners to provide short-term talent in situations where employees may not be able to work. A critical part of talent management lies in obtaining organizational buy-in regarding succession plans and leadership development programs, as well as ensuring that those plans address the potential for both short- and long-term business disruptions.

Make sure your organization is prepared to manage talent at all levels:

- At the *individual* level, consider which competencies each employee needs to develop to perform at optimal levels on the job and to help ensure long-term career development.
- At the *business unit* level, make sure that your company identifies which competencies, organizational design and support processes are required for the business to succeed.
- At the *enterprise* level, consider how talent pools need to evolve to help ensure your company can execute its business strategy and gain competitive advantage.

**Effective crisis management involves the cooperation of the entire organization – and requires qualities such as trust and teamwork.**

### ***HR systems and reporting***

Your human resources (HR) department should be prepared to deliver core services during a crisis, as well as to monitor and report on the location and status of displaced workers. Make sure that your business continuity plan covers your payroll and benefits administration systems and that it enables the organization to identify and find individuals with key skills and capabilities, both for recovery efforts and ongoing operations.

Also, determine how your company's intranet and other communications technologies can be used to their full advantage for crisis preparation and response initiatives. IBM, for example, has an internal system in place that will allow it to quickly locate and schedule backup talent with critical skills and capabilities in a crisis. In addition, the company has an online communications and learning platform designed to help employees quickly find information and take classes to acquire new and necessary skills.

### ***Organizational culture***

Ultimately, preparing for effective disaster response involves the cooperation of every individual in your organization. Your company should work to instill the organizational culture with values that would be beneficial in disasters. Assess how well your company promotes trust, teamwork, flexibility and other key qualities and then develop internal programs to strengthen weak areas. Also, consider allowing employees to nominate colleagues to act as points of contact and change agents in times of crisis.

### ***Are you prepared?***

Human capital resiliency can begin with an assessment of your business continuity plan to see if it addresses all the people-related components we identified. In addition, to help your organization fully address the human side of business continuity planning, ask yourself the following questions:

- Does your organization have a current crisis management plan? Does the crisis management team meet regularly and practice scenarios?
- Does your organization have critical policies identified and alternatives designed specifically for use during a crisis?
- How will your employees receive critical information in the event of a crisis?
- How will employees communicate with colleagues to keep the business running?
- Have you provided the right preparatory advice to employees in the event of a crisis? Is it kept up to date?
- Are you able to provide immediate support to your employees and their families if a crisis were to occur? What kind of support would you provide?
- How is critical job training being rolled out so that personnel gaps can be filled or capabilities outsourced to partners at a moment's notice?
- Do you have short- and long-term succession plans for critical management and operations roles?
- How should your resource plan and sourcing strategy change to accommodate crises?

- What plans are in place to provide critical services?
- How can your HR systems be used to locate and redeploy critical resources during a crisis?
- What components of your organization's corporate culture do you believe will support or hinder individuals in the event of a crisis?

Ask the following questions of your IT department or, if you are an IT leader, ask yourself these questions as well:

- In the event of a disaster, will your company be able to keep critical communications systems up and running?
- What can you do to establish and optimize a virtual infrastructure that enables employees to work effectively in remote locations if required?
- Do your third-party providers have business continuity plans to keep critical systems, reporting and processes operational during a crisis?
- Can your company provide virtual crisis response materials and training?

Remember, it's rarely business as usual after a crisis. The effort your organization makes now to protect your human capital resiliency in the event of a disruption will go a long way in helping it – and your people – recover after the worst is over.

## For more information

As a leader in Business Continuity & Resiliency and Human Capital Management services, IBM can provide additional insights on addressing the people-related components of business continuity planning. For more information, please e-mail one of the contacts below or visit:

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