



Contingency Planning - Expect the Unexpected

By Larry a. Bauman

No matter what we do in business, we can never anticipate the future. One of the things that resulted from the tragedy that was experienced here in the United States on September 11th was that many companies began to formally adopt contingency planning as a regular part of their overall planning process. The process of contingency planning is initiated by asking a series of questions about the business environment that begins with "what if". Regardless of the how good things appear at the moment, we have to embrace Murphy's Law that states if anything can go wrong it probably will.

Contingency planning is a formal process to manage crisis, whether inflicted from an external source or an internal source. In it's basic format, a contingency plan involves potential problem identification, prioritizing the problems in a list of most probable, and developing planned steps to limit the harm that can be inflicted on the company if indeed the potential problem become real.

Be Responsive

Companies that are slow to act generally will feel the full impact of the crisis or problem. The days of sticking your head in the sand like the proverbial ostrich are gone. Competition is encountering the same issues you are in the marketplace unless it is self-imposed, such as a recall or product defect. Marketplace issues are easier to anticipate. These problems can usually be seen from a distance. It is those companies that fail to recognize their impact that feel the complete force of the problem.

Customer and market perception of a company's professional prowess is dictated by the company's ability to handle big problems quickly and effectively. A slow response time, or pretending the problem will go away all by itself, can cripple a management team faster than the actual problem arose. A solid contingency plan that is well thought out in advance delivers a strong response and increases both internal and external appreciation of an efficient, responsive management team.

We Learn From The Past

History will usually repeat itself at some point. Scenarios are played out over and over again by companies that are willing to let history teach them that poor planning in the past has no place in the company in the future. At the same time, the question has to be asked, "is this indeed a true crisis?"

Your type of business dictates the importance that you will place on having a single or multiple contingency plans in place so that as a crisis does occur, a list of exacting actions will result to minimize that situation as much as possible. Let's take for instance a fire. Every business owner has to think about this potential nightmare problem due to insurance requirements by landlords. Plans that are well thought out include keeping customer lists and computer data back-up's offsite, vendor communications and inventory listings along with well documented video tapes of the premises, just to name a few.

If you live in an area that is potentially effected by weather elements, you have a good idea of what has to be done when the

weather alert is issued. Since you have done this before, the plan is more concrete and less necessary actions that are required to stay safe fall by the wayside. The same is true for you business. Once tragedy hits, you are in the middle of the crisis before you have a chance to consider the ramification. A well thought out plan in advance minimizes the problems that are going to arise because you have a prioritized list of actions to execute quickly and efficiently.

List the Potential Problems

Consider how serious the problem really is to you and your business. Assign it a priority number. The problems that rank the highest should be work on the most. A priority analysis should includes a list of the potential problems, how serious the problem would be, how probable is it that the problem would occur, then assign a priority weight to the problem. Some problems can be prevented altogether while others will occur no matter what you do. The best outcome here is to try to limit the damage and keep the problem to a minimum as much as possible.

Outlining the trouble spots is important based on the severity of the problem. If the problem is less likely to occur, your time should be spent asking the questions such as “ what has gone wrong before”, “in addition to what has already happened, what else could go wrong?” and “what can be done to minimize the situation and get things back to normal as quickly as possible?”

Give Yourself Reaction Time

Small problems are easier to solve than large problems. By catching the smaller ones before they become big problems, you have time to anticipate and plan for a reasonable outcome. Gray stated “Ignorance is bliss”. Without the proper time to plan, the bliss is indeed ignorance.

Professional managers have to build in some flextime into their schedules. Priorities are rearranged, appointments change, unannounced meetings occur, and unforeseen problems arise that have to be handled. By having enough time to think through and anticipate problems before they occur, the manager can chart a course of action that is well planned and not reactionary.

Minimize Over-Reaction

Your company has a great deal to do with the way crisis situations are handled. If you are part of a crisis prone organization, the management style is often a "shoot from the hip" style. This style tends to create over-reaction to problems that occur seemingly daily. Many managers truly believe that they get more done when operating under these circumstances. Though everybody has a different personality, the reaction is understandable and at the same time, damaging.

It becomes your responsibility to decide if you really need or want to be involved in the problem or situation. At time when the problem escalates to crisis proportion, the panic becomes a contagious disease that will spread through an organization rapidly. On the other hand, if you are not equipped to handle the problem, you can quickly manage the problem into a crisis. Be aware and selective when you decide to get involved. If you have the responsibility to make the decisions that will handle the problem,

take prudent well thought out steps that allow you and your team to appear calm, cool, and collected.

Dissect the problem and handle it in small pieces. This gives you the opportunity to think through each action with accompanying potential consequences of each action. Action steps that are thought out prior to the actual crisis occurring are always enacted with more confidence and received better by internal subordinates and external customers.

Prioritize

Look for at least two or three options that will solve each problem. A decision has to be made as to which problem has the potential to be the most damaging. Prioritizing the potential problems that could cause a crisis along with the number of options defined to take corrective action is critical. The best response should be discussed and a complete series of action steps documented to format the intended outcome.

Remember to consider the seriousness of the problem as well as the actual probability that the problem will indeed occur. Ranking

and prioritizing is an important part of the process. Contingency plans deal with serious issues that have serious outcomes. Individual managerial goals and objectives can be structured in a way to focus on solutions to anticipated problems as well as solutions to current problems. In either case, by setting the focus, the basis for contingency planning becomes part of the overall planning process.

Companies and businesses that want a strong contingency plan in place make it a priority and treat it as a separate part of the overall planning process. No matter which course of action you determine is best for you, a basic plan is better than no plan. If the problem arises, you will be thankful that some thought has already been given to the situation.

Take Steps to Prevent

If you are able to prevent a problem before it turns into a crisis, you have successfully maneuvered through the minefield of management. Consider these courses of action to stay in a preventative posture.

- Anticipate the problems that might occur in your business and take action steps to prevent them or limit the consequences.
- Track major tasks through progress reports by identifying major issues and taking corrective action steps.
- Crosscheck internal departmental goals and objectives to make sure that no crisis is looming once the objective has been met.
- Assign the correct people to handle the issue, problem, or crisis. Avoid over committing your resources by determining in advance who and what is needed to solve the problem or issue.

Re-access After the Crisis

Taking time to examine the step steps to successfully navigating through the crisis can be one of the most important parts of having a complete contingency plan. You will find that some action items went well, other could have been improved and/or changed altogether. By revisiting the problem while the entire scenario is fresh in your mind, you will be able to make notes and outline a better course of action if the crisis were to arise again.

Share the feedback and write a case study for others in the company to provide their input on specific successful action items as well as alternative ideas on unsuccessful action items. Modify and document the plan after a consensus has been reached.

Our businesses change daily. Both internal and external factors contribute to crisis situations that will arise. Most can be anticipated and minimized with a strong contingency planning process. Others cannot be avoided and will have to be dealt with expeditiously and professionally. Good luck is not always available and things happen. Being prepared to deal with bad luck can turn even the most unsavory situations in opportunities. Having a good contingency plan in place is no longer an option, but a necessity.