

## Contingency Planning

**Specification requirement**—Contingency planning and crisis management - the reasons for, the methods and the costs involved.

A contingency plan is a plan of action to be followed in the event of an emergency or disaster occurring, which threatens to destroy or disrupt in a major way the continued operation of normal business activities. The plan should restore to normal or as near to normal as possible, the firm's day to day functioning. All done within the fastest possible time scale,

There are many recent examples of major events affecting firms capability of operating normally. These have varied from terrorist atrocities, natural disasters or extreme climate events, to failures of operational control.

A well run business will have plans in place to deal with the unexpected, reduce its impact and get back to normal as soon as possible.

The recent horse meat scandal that affected a number of supermarkets had potentially serious consequences for the businesses concerned. Tesco responded with full page ads in national newspapers (see right). This response seems to have been effective. Apologising to customers, and being straightforward and honest, could quite possibly have been part of a Tesco contingency plan to be put into action should there be a major failure of food quality.

## We apologise

You have probably read or heard that we have had a serious problem with three frozen beef burger products that we sell in stores in the UK and Ireland.

The Food Safety Authority of Ireland (FSAI) has told us that a number of products they have recently tested from one of our suppliers contained horsemeat.

While the FSAI has said that the products pose no risk to public health, we appreciate that, like us, our customers will find this absolutely unacceptable.

The products in our stores were Tesco Everyday Value 8 x Frozen Beef Burgers (397g), Tesco 4 x Frozen Beef Quarter Pounders (454g) and a branded product, Flamehouse Frozen Chargrilled Quarter Pounders.

We have immediately withdrawn from sale all products from the supplier in question, from all our stores and online.

If you have any of these products at home, you can take them back to any of our stores at any time and get a full refund. You will not need a receipt and you can bring back just the packaging.

We and our supplier have let you down and we apologise.

If you have any concerns, you can find out how to contact us at the bottom of this page, or go to any of our Customer Service Desks in store, or ask to speak to your Store Manager.

So here's our promise. We will find out exactly what happened and, when we do, we'll come back and tell you.

And we will work harder than ever with all our suppliers to make sure this never happens again.



Contingency planning is a complicated business. The first part of contingency planning is to identify threats to the firm and estimating what the impact on the firm might be if these threats were to happen. There are of course costs involved in trying to examine possible threats and estimating their impact. This will take management time, and cost money, but there is an immediate advantage. The contingency planning process identifies weak points in any business, weak points that can be improved, made more resilient. What if there is only one supplier of a major component? What if supplies are disrupted? Once threats and weak points are identified, the firm can take

action to reduce the risk from these threats. Notes  
For example creating back-up software systems, finding alternative suppliers, or substitute office space. Just be doing these things makes the business more robust, more effective, even without the impact of disasters occurring.

The strategy for recovery needs to be tested and practised. Someone has to be in charge of the contingency plan. In large businesses there might be several people coordinating the plan within different departments or divisions—so again a cost in training and man hours. But having someone to take control, to make sure that there is no panic, that efficient and timely action is taken, could be worth everything.

The plan has also to kept up to date, reviewed in light of changing circumstances. These could be internal or external changes. The firm may introduce new products, or start operating in different markets. External threats will evolve and change.

A good contingency plan can make the difference between survival and failure, between protection of brand or destruction of brand value. It is an insurance policy, that is worth investing in. Even small firms should have back up plans in place. It can be as simple as. —'the van has broken down, do I have a contact number on my phone for van hire?'

So contingency planning is of course complex for big firms, but likely to be worth it, and for small firms simply identifying weak points in the production/service chain, can have a real impact on operations and customer satisfaction.