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DISTRICT FOR RAIL TECHNOLOGIES, HIGH SPEED, NETWORKS' SAFETY & SECURITY

Resilience of SMEs – Concepts and Tools

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The leading Railway Cluster of Italy based in Tuscany

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The topics of this presentation

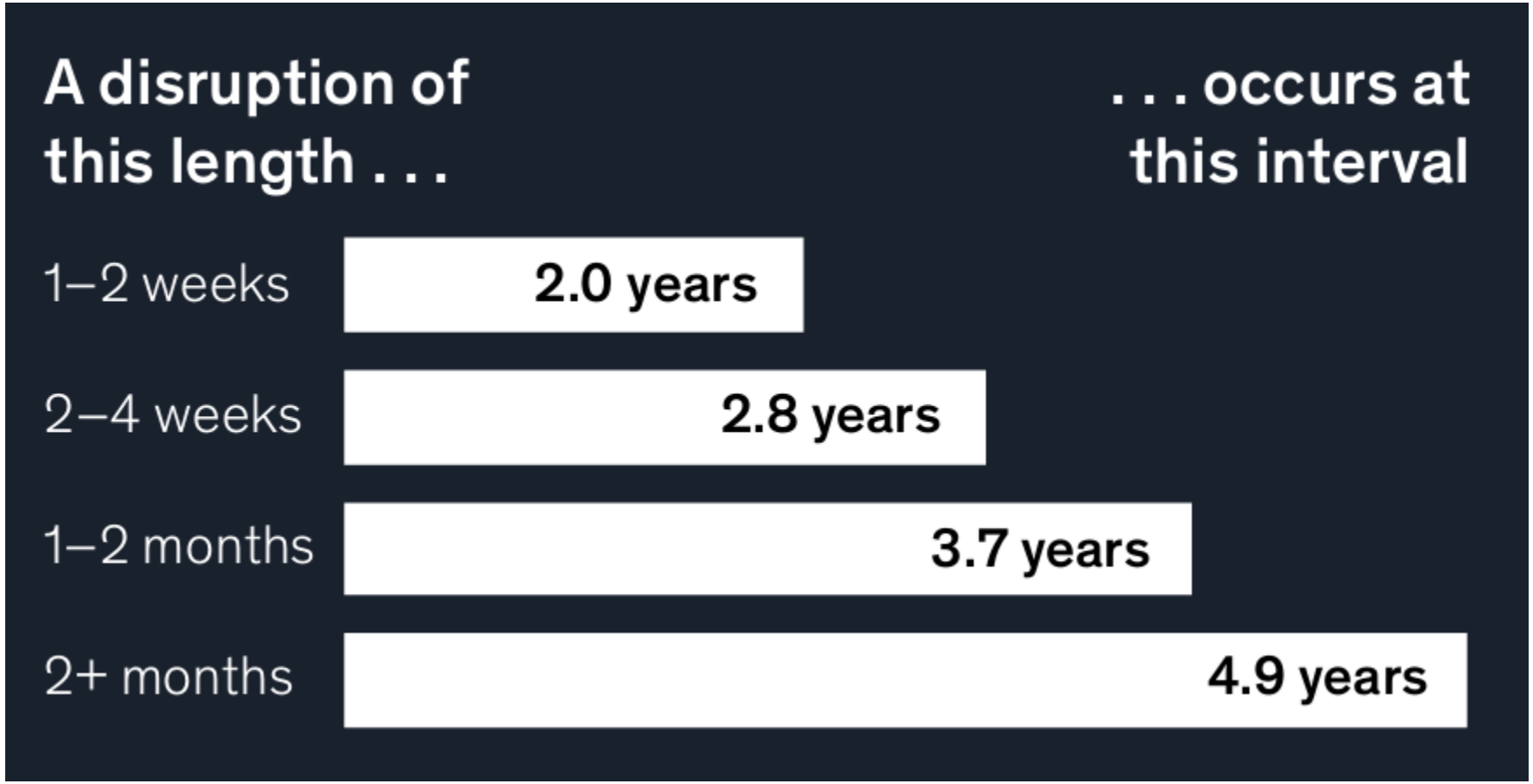
- Resilience of SMEs: community property *vs.* individual capacity
- Frequence of disruptions and trade-off in company's behaviour
- Standard models to Organisational Resilience and Business Continuity
- How to leverage an 'individual option' to make it become a 'community capacity': a DITECFER practice to ease this for its SMEs

Resilience of SMEs: community property *vs.* individual capacity

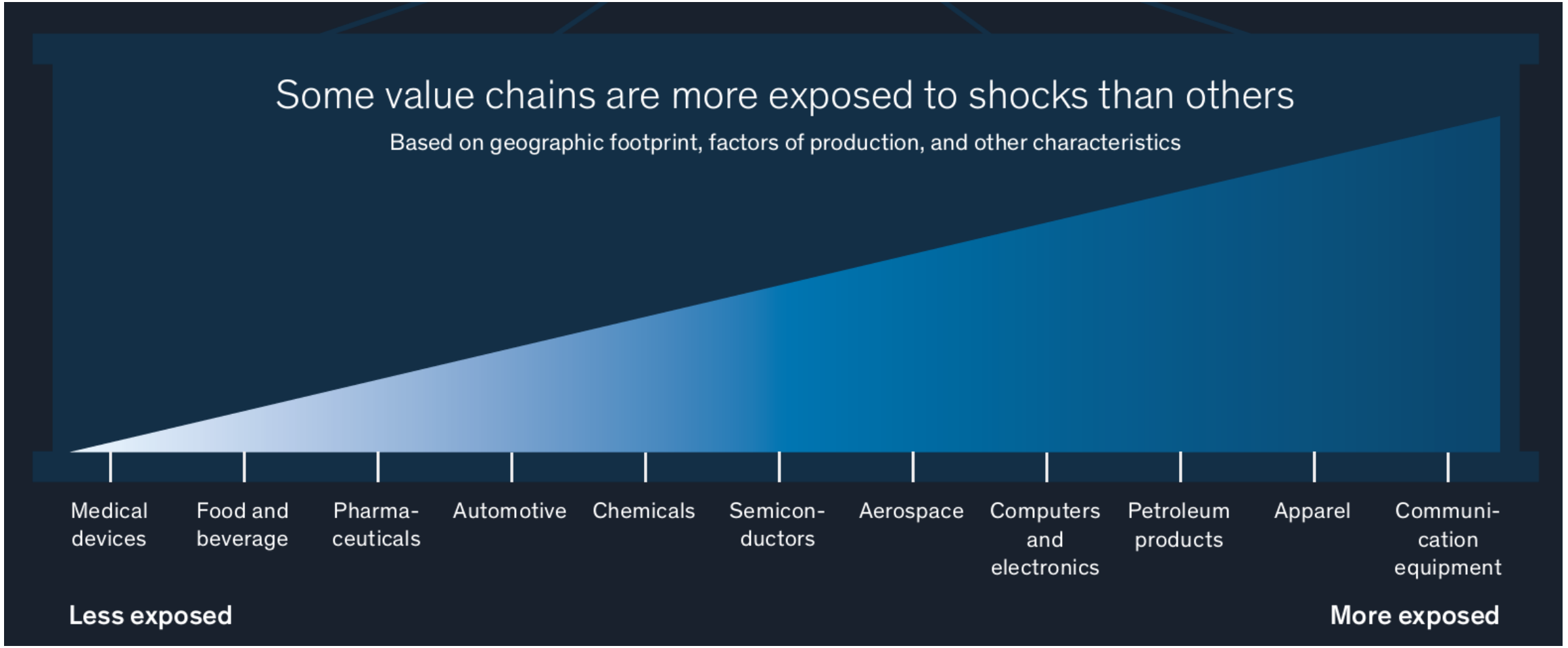
SMEs' Resilience thanks to
"community property"

SMEs' Resilience thanks to
own capacity

Frequence of disruptions and trade-off in company's behaviour



Risk-resilience-and-rebalancing-in-global-value-chains-full-report-vH.pdf (mckinsey.com)



Risk-resilience-and-rebalancing-in-global-value-chains-full-report-vH.pdf (mckinsey.com)

Companies can expect to lose

42%

of one year's EBITDA every decade.

The good news is that companies can reduce those losses by taking preventive steps.

resilience typically requires investment or even accepting higher current operating costs today to minimize potential losses in the future.

Risk-resilience-and-rebalancing-in-global-value-chains-full-report-vH.pdf (mckinsey.com)

At the company level, vulnerabilities can reside within 5 critical areas

1. ## Demand planning and inventory management
Insufficient demand planning and forecasting capabilities can be a major vulnerability.

2. ## Supplier network structure
To assess its vulnerabilities, any company has to identify all of the players in its supply chain—not a trivial task.

3. ## Transportation and logistics networks
As supply chains lengthen and become leaner, they have less margin for error in getting the right inputs to the right place at the right time.

4. ## Financial fragility
An individual company's financial position may prove to be a vulnerability or a source of flexibility when a shock hits.

5. ## Product and portfolio complexity
Product characteristics can create inherent vulnerabilities. Some products have short life cycles, for instance.

Risk-resilience-and-rebalancing-in-global-value-chains-full-report-vH.pdf (mckinsey.com)

Company accepting *Vs.* Company not accepting

the ongoing cost of being prepared

Some examples

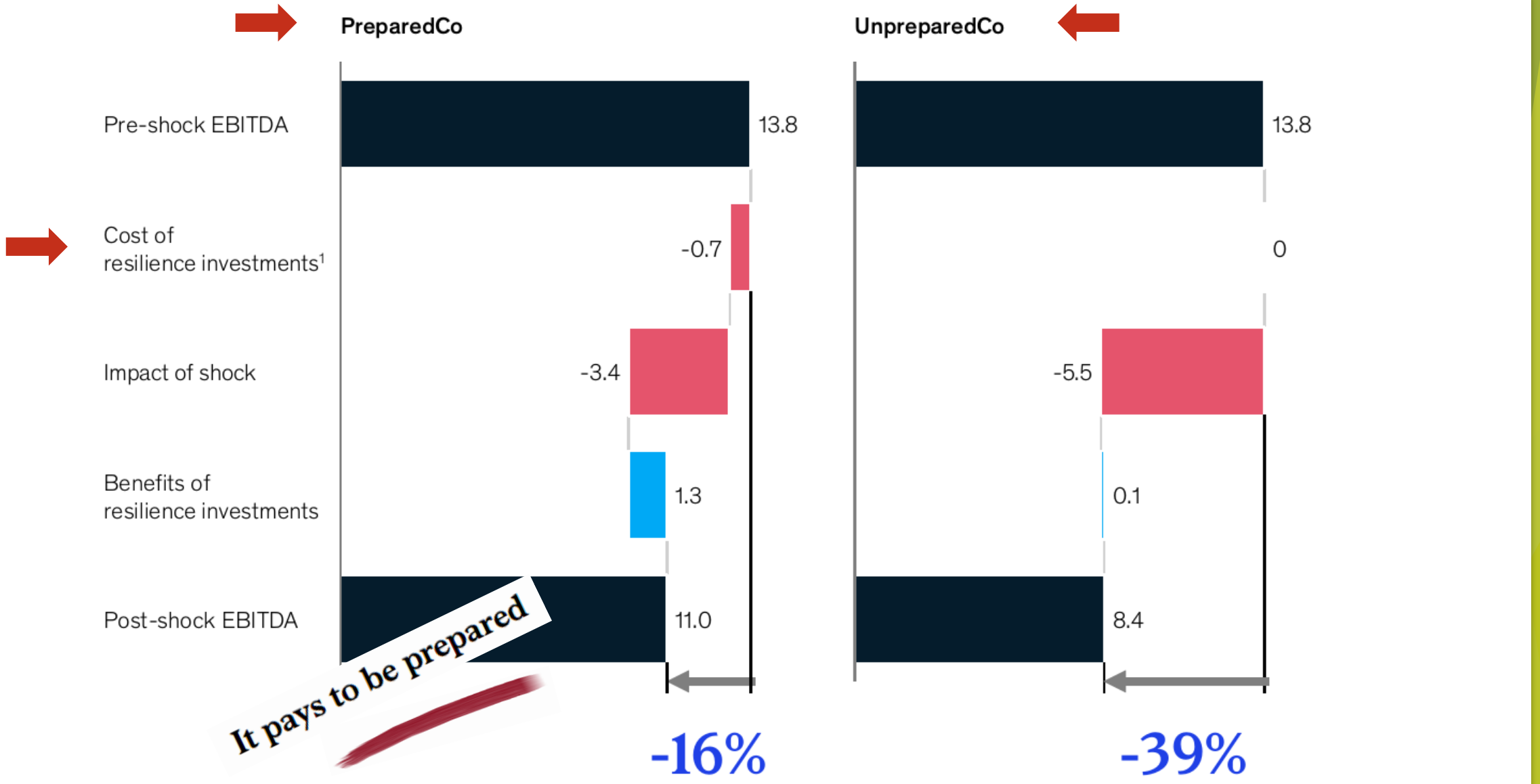
Internal aspects

- Simplify product design
- Build alternatives in transportation and logistics systems
- Increase inventory/safety stock
- Improve financial and operational capacity to respond and recover
- Create cash-flow and balance sheet buffers

External aspects

- Strengthen critical suppliers or bring key production in-house
- Diversify supplier network and geographic footprint
- Flex production across suppliers, sites, and channels
- Build supplier financial health

Risk-resilience-and-rebalancing-in-global-value-chains-full-report-vH.pdf (mckinsey.com)



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Forbes

Mar 27, 2021, 02:15pm EDT | 10.021 views

Blocked Suez Canal Is Latest Reminder Why Companies Need Crisis Plans

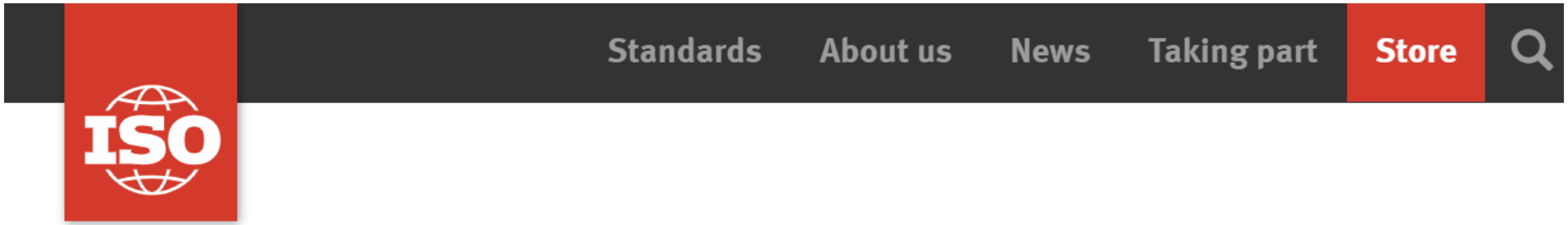
Edward Segal Contributor ⓘ

Leadership Strategy

I write about crisis situations and related issues, news, and topics.

Blocked Suez Canal Is Latest Reminder Why Companies Need Crisis Plans (forbes.com)

Standard models to Organisational Resilience and Business Continuity

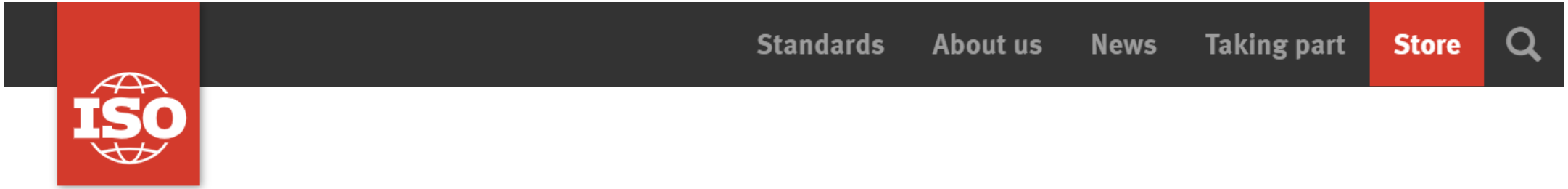


ICS › 03 › 03.100 › 03.100.01

ISO 22316:2017

Security and resilience — Organizational resilience — Principles and attributes

https://www.iso.org



ICS › 03 › 03.100 › 03.100.01

ISO 22301:2019

Security and resilience — Business continuity management systems — Requirements

https://www.iso.org

ISO 22316:2017

To protect against
To reduce the likelihood of the occurrence of
To prepare for
To respond to
To recover from

DISRUPTIONS

https://www.iso.org

ISO 22316:2017

An organization's resilience:

a) is enhanced when behaviour is aligned with a shared vision and purpose;
b) relies upon an up-to-date understanding of an organization's context;
c) relies upon an ability to absorb, adapt and effectively respond to change;
d) relies upon good governance and management;
e) is supported by a diversity of skills, leadership, knowledge and experience;
f) is enhanced by coordination across management disciplines and contributions from technical and scientific areas of expertise;
g) relies upon effectively managing risk.

https://www.iso.org

ISO 22316:2017

A coordinated approach

The organization should develop a coordinated approach that provides:

- a mandate to ensure its leaders and top management are committed to enhance organizational resilience;
- adequate resources needed to enhance the organization's resilience;
- appropriate governance structures to achieve the effective coordination of organizational resilience activities;
- mechanisms to ensure investments in resilience activities are appropriate to the organization's internal and external context;
- systems that support the effective implementation of organizational resilience activities;
- arrangements to evaluate and enhance resilience in support of organizational requirements;
- effective communications to improve understanding and decision making.

https://www.iso.org

ISO 22301:2019

business continuity

capability of an **organization** (3.21) to continue the delivery of **products and services** (3.27) within acceptable time frames at predefined capacity during a **disruption** (3.10)

disruption

incident (3.14), whether anticipated or unanticipated, that causes an unplanned, negative deviation from the expected delivery of **products and services** (3.27) according to an **organization's** (3.21)**objectives** (3.20)

business continuity plan

documented information (3.11) that guides an **organization** (3.21) to respond to a **disruption** (3.10) and resume, recover and restore the delivery of **products and services** (3.27) consistent with its **business continuity** (3.3)**objectives** (3.20)

https://www.iso.org

ISO 22301:2019

Business Continuity Management System

Context of the organisation

Leadership

Planning

Support

- Resources
- Competence
- Awareness
- Communication
- Documented Information

Operation

- Operational planning and control
- Business impact analysis and risk assessment
- Business continuity strategies and solutions
- Business continuity plans and procedures
- Exercise programme
- Evaluation of business continuity documentation and capabilities

Performance evaluation

Improvement

https://www.iso.org

ISO 22301:2019

Benefici dello standard ISO 22301*

72%

aiuta a proteggere
la nostra attività

73%

garantisce la
massima affidabilità
della nostra azienda

82%

aiuta a gestire il
rischio aziendale

56%

aumenta il
nostro vantaggio
competitivo

https://www.bsigroup.com

How to leverage an 'individual option' to become a 'community capacity': a DITECFER practice to ease this for its SMEs

SMEs' Resilience thanks to
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SMEs' Resilience thanks to
own capacity

The link here is:
to promote this individual capacity
as a community

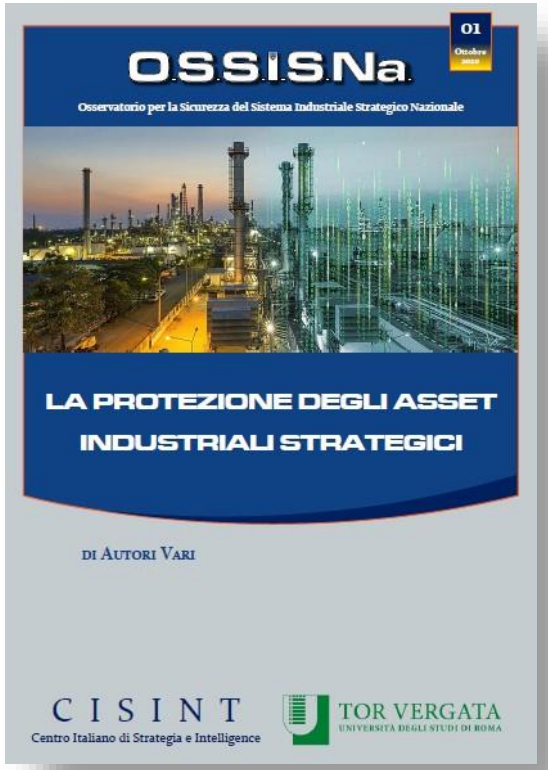
making this feasible for SMEs

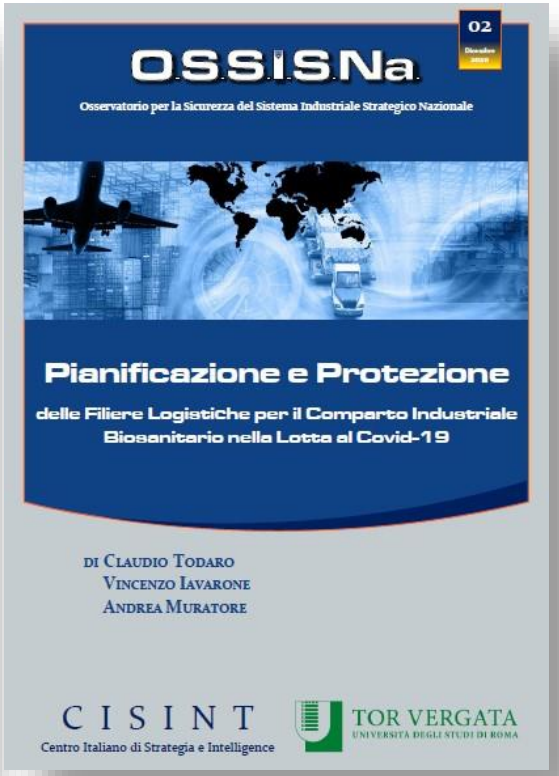
CISINT

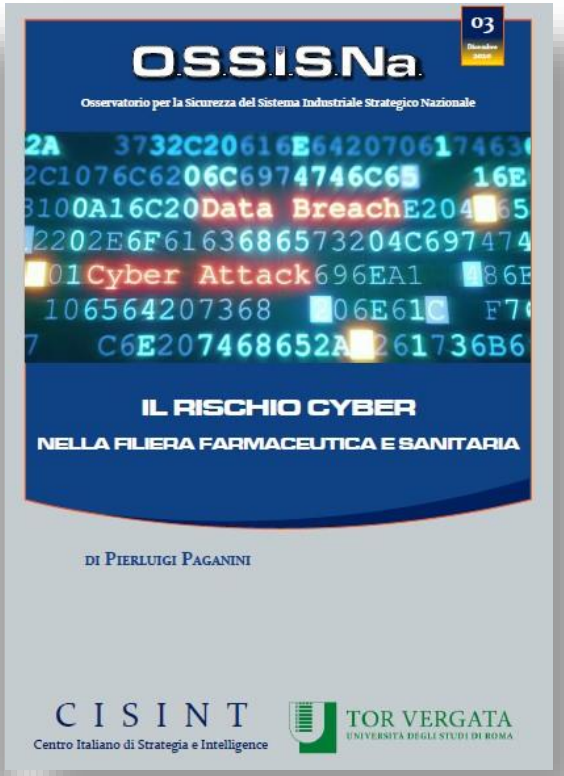
Centro Italiano di Strategia e Intelligence

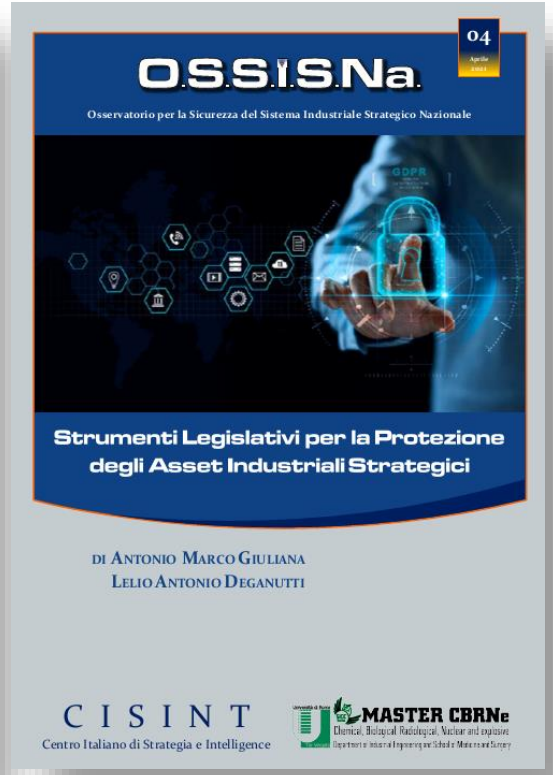
O.S.S.I.S.Na.

Osservatorio per la Sicurezza del Sistema Industriale Strategico Nazionale









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Doc. IT.ASSET.20.001
Rev. 1.0

Protocollo per la Valutazione del Rischio Sicurezza per Siti Industriali Strategici in Scenari di Crisi

Data: 20.04.2020

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Campo di applicazione

Protocollo operativo per la conduzione dell'attività di valutazione del Rischio Sicurezza focalizzata ad aspetti AS/AT (anti-sabotaggio/anti-terrorismo), cibernetici e reputazionali con applicazione a siti industriali di interesse strategico per lo Stato Italiano ed in scenari di crisi

SCUDO ITALIA

Protocollo per la protezione degli asset industriali strategici negli scenari di crisi

Documento: NON CLASSIFICATO

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For SMES of National Strategic Industrial Value Chains – and Railways are so classified – we have developed a Protocol aiming to assess, and offer tools for resilience and business continuity in crisis scenarios

- ✓ Criteria and requirements for the *Security Plan*
- ✓ Criteria and requirements for the *Operations Continuity Plan*
- ✓ Criteria and requirements for the *Crisis Communication Plan*

Plus, we plan to (try to) negotiate lower insurance policies for those adopting it.

We are now scaling the model as best practice within the G20, that this year is chaired by Italy.

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In conclusion:

Disruptions and crisis happen at a higher frequence than we might think

Such disruptions may cost a company 45% of one yers's EBITDA every decade

The good news is that companies may get prepared to this, to reduce such risk

Getting prepared means investing in ongoing operational costs – gloabl statistics show how such costs are self-reimbursed

Standards helping companies to get prepared are available – other tools may be created ad hoc – the importance is, as Clusters, to foster their adoption by our SMEs in order to obtain a « community effect ».