Global Business: Prepare for Strikes

Putting more business into business continuity planning

By Peter Martin

In this age of high-profile risk management, disaster planning and shareholder accountability, it is critical to be protected against an ongoing labor dispute that could adversely affect the company’s bottom line. Revenue goals should be able to withstand a long-term strike or even a short seven-day walkout. If not, it’s possible that the company’s stock value will drop as it struggles to stay profitable in the throes of a major union/management upheaval.

Most importantly, how long will your customers remain loyal if the company’s employees—or major suppliers—disrupt the customer’s ability to get what they need? When will the “cascade” of your unavailability send them elsewhere?

FOCUSING ON BUSINESS DRIVERS

Taking a look at a list of major issues that can affect shareholders, a labor dispute is towards the top of the list. It brings a company to a halt, and can have a profound impact on profitability.

Not being able to get products built, means there are no products to sell and inventory turnover will unavoidably be affected. In manufacturing and retail, the number of times inventory is turned over is directly relevant to profitability.

When it comes to a work stoppage, expect little or no loyalty from your customers. Customers are not going to wait until a strike is over. Instead, if they can’t get the products or services they want, they will go to a more-accessible competitor. When companies plan poorly and customer base starts to erode, there is panic and business owners may meet unrea-
sonable demands by the union to get the labor dispute resolved. Then business owners have the worry of dealing with labor costs, once the company is back up and running. This won’t appease shareholders.

Shareholders want to see positive proof of the company’s ability to cope. The company must demonstrate how it can keep up operations while negotiating a strong deal with a union that best ensures the future at a price the company can easily afford—not what it can afford under duress. If a labor dispute is planned properly, shareholder confidence can be maintained, despite an immediate dip in stock prices during a dispute.

The scope of the business continuity plan should take into account all of this with specific goals for the company. The plan should address a communications and public relations strategy to counteract negative press. It also needs to talk about how the shareholders are approached and about the protection of key executives and their families.

With the proper business continuity plan in place, it’s possible to rest easy. In fact, continuity planning gives a business a better chance of reducing its negative long-term financial impact at the signs of the next labor dispute. With early planning and focused attention to key business drivers, it’s easier to protect the bottom line, keep the customer base intact and ensure that shareholders remain onboard.

AVERTING DISASTER

It’s important to examine how advance continuity planning saved the day for TELUS Corp., a major Canadian company. When unionized employees at the largest telecommunications company in Western Canada went on strike two years ago, its corporate office was ready. Not only did TELUS survive Canada’s largest-ever national labor dispute, it emerged stronger and has become, an even more profitable company today than ever before.

TELUS employs 35,000 people in four countries and serves commercial entities including energy and government, as well as residential and small business customers. As the second largest telecommunications company in Canada—with more than 40 percent of its labor force unionized—TELUS could ill-afford a major work stoppage.

About a year and a half prior to labor negotiations, TELUS contacted an outside security firm to create a business continuity response plan. It was important to find a professional organization that would resonate and be a good business fit with TELUS’ business values and philosophies.

Gene McLean, recently-retired vice president and chief security officer at TELUS, said it was important to the top executive and leadership teams to maintain a business focus while ensuring the safety of company assets and employees. With only so many hours in the day, recruiting an outside, third-party firm meant that TELUS could get an effective plan developed and still be able focus on the important matter of running the business.

“Preparation was critical from the time we started the work stoppage to when it was over,” McLean said. “We wanted everyone to return to their jobs at the end of the process with their work intact. We wanted to ensure that everyone and everything was completely protected.”

The business continuity plan McLean and his outside team developed was based on the company’s overall business plan and philosophy. This plan integrated smoothly with TELUS’s security and other contingency plans. When work stopped in July 2005, this plan allowed TELUS to manage—-and even grow—its stock value by the time the strike ended five months later.

KEYS TO FAST RECOVERY

TELUS was able to bounce back from a major labor dispute quickly because it planned early and focused on the business side of its response plan. No business can focus on or plan for everything. So TELUS specifically addressed what the work stoppage could mean to its customer base and the well-being of its employees, with complete buy-in from senior management.

One of the biggest mistakes companies make is failing to plan early enough for a manmade disaster like a labor dispute. Or management fails to plan for disasters at all. Instead, many businesses often focus on natural or health emergencies.

Another critical error in business continuity planning is neglecting the business side of the equation. A strike is not a divorce, it’s a separation. Virtually everyone is going to come back together when all is said and done. Without sufficient preparation, companies can lose their livelihood. Companies that fail to appropriately plan may never recover.

It’s difficult to convince company officials that it needs a business continuity plan for a potential strike situation. While it seems much easier to talk about fire, flood or other natural or health disasters, requisite business continuity planning for labor disputes doesn’t always define the urgency that it should in the corporate boardroom.

It’s like putting a fire extinguisher in a building, people do it because they are told they have to do it, but rarely do they check it. After all, hiring a high-risk security firm to create a business continuity plan is like going to the dentist, nobody likes it, but everyone is glad professional help is around when needed the most.

Companies often do better planning for natural disasters than manmade disasters because of management’s perception that a strike is within their control. Senior executives can’t avoid a hurricane, but they feel they can avoid a strike.

Often a faulty rationale is at play. Because a labor dispute is almost always a result of a breakdown in labor negotiations, senior management may believe planning for a dispute implies a no-confidence vote against its own ability to deal successfully with unions.

But the truth is far to the contrary. So many factors go into a labor negotiation that no company is 100 percent safe in saying or believing it can’t happen to them. Companies owe it to customers, stakeholders and shareholders to have a business continuity plan. The good news? Business continuity planning costs next to nothing.
THE GOOD NEWS

While a nominal fee may be associated with retaining a high-risk security firm, only a small minority of security firms truly specialize in providing labor dispute services. These firms generally will not begin billing the customer until the plan is implemented.

It’s a wonder that more companies don’t take advantage of business continuity planning, especially in light of the huge impact a labor stoppage can have on customer loyalty, shareholder trust and the company’s bottom line.

Savvy companies, those who have experienced difficult labor negotiations or actual work stoppages, know the most important first step to make. Contact a business continuity planner at least six months before scheduled labor negotiations. Get a jump on planning. Don’t wait till the last minute. After all, no matter how confident the union is of reaching an agreement, there is no guarantee a strike will not happen.

Moreover, in order to have successful labor negotiations, both parties need to want the same thing. Sometimes that just doesn’t happen. A business continuity plan helps put into perspective what will happen in the event of a labor dispute, including a step-by-step timeline detailing when and where contingency plans kick in, as well as the outline of what is needed to keep operations running, whether it’s securing offsite facilities—warehousing and storage—securing transportation and manpower.

A business continuity plan highlights the realistic expectations of operational capacity during a work stoppage. A sound plan provides for skilled security officers, videographers, injunction/forensic investigators, transportation, logistic equipment and other resources. Pre-planning should include a site audit and survey of all corporate locations.

GETTING STARTED

Too many companies’ business continuity plans are developed with critical input from only one business unit. This approach will not work. Gather input from key decision-makers to understand what they want to achieve, and cover all your bases. Working with the CEO, CFO, COO and other key-level executives can make a difference in getting the right business plan in place—one that addresses the short-term and long-term strategic goals of the company.

No one-size-fits-all business continuity plan works in every corporate scenario. Each plan must vary with private versus publicly-held companies, as well as by location and company size. Most importantly, a business continuity plan should be structured to address the business side of the business, with enough lead time for a timely implementation.

About the Author

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