

7 Steps to develop a Contingency Plan

Good contingency planning is important because it ensures that business can function if your plan A falls through. What if business operations are hit by a natural disaster? What if the project manager gets fired? What if there's a power outage and information systems are down on the busiest day of the year? A company needs to have a contingency planning guide in place to minimize losses and maintain normal functions should there be any such event that could negatively impact business.

Step 1: Create and official policy

In the event that something goes disastrously wrong, having a contingency policy statement in place provides clear guidelines to follow so that all employees and team members are on the same page when responding. This optimizes the quality of response.

Step 2: Gather your resources

For your contingency planning, make a list of important resources the company has access to and can use in the event of an emergency or recovery strategy. Knowing what you have makes it easier to identify what you don't.

Step 3: Use risk assessment

A business impact analysis (BIA) can determine the likelihood of a particular scenario occurring and its potential impact on your most critical business processes. A BIA can both identify future risks and help a company prioritize what should be planned for first.

Step 4: Draft your plan

Different risks require different plans. Prioritize your plans to address the most significant potential threats to your company. Focus on minimizing losses. Work in flexibility to account for multiple scenarios and circumstances.

CREATE AN OFFICIAL POLICY

GATHER YOUR RESOURCES

USE RISK ASSESSMENT

DRAFT YOUR PLAN

TEST YOUR PLAN

UPDATE YOUR PLAN

BRAINSTORM UNLIKELY SCENARIOS

7 Steps to develop a Contingency Plan

Step 5: Test your plan

Testing a business continuity plan ensures its effectiveness. Conduct exercises or simulations to measure response time and execution of recovery strategies. Plan testing can expose weaknesses or vulnerabilities and show where staff needs to be trained or informed to increase preparedness.

Step 6: Update your plan

It's important to enact plan maintenance, revising and amending as needed. Systems change as information technology advances, so review your plan as necessary and keep it up to date.

Step 7: Brainstorm unlikely scenarios

Just because a scenario does not have a likely chance of occurring does not mean it never will. A contingency plan is like insurance—it ensures you have what you need in the event of a worst-case scenario.

