Business Continuity Planning – Empowering Your Organization for a Better Response

Bahamas Institute of Chartered Accountants

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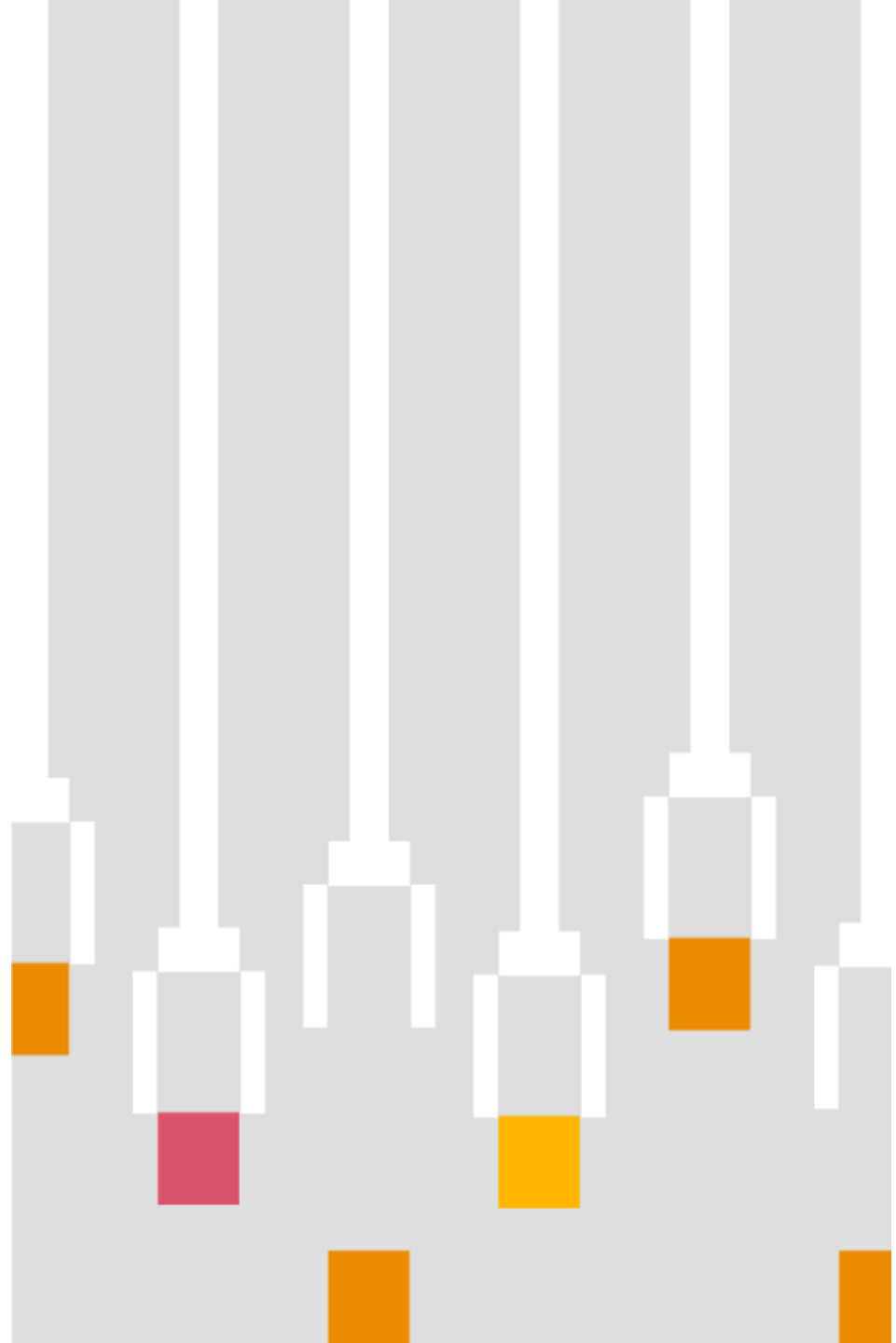bruce.scott@pwc.com / 876-9328335

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Solomon taught that BCP requires hard work and pre-planning

Take a lesson from the ants, you lazy fellow. Learn from their ways and be wise!

For though they have no king to make them work,

yet they labor hard all summer, gathering food for the winter.

What however do we mean by a business disruption?

What however do we mean by a business interruption?

Event	Impact	Impact Rating	Risk Response	Cost to Implement
Strategic: Reduction in hotel room rates by a new competitor	Reduced sale & possible closure of my company' s hotel	Significant	Risk Mitigation: Improve efficiency and match rates of the new competitor	US$500K

What however do we mean by a business interruption?

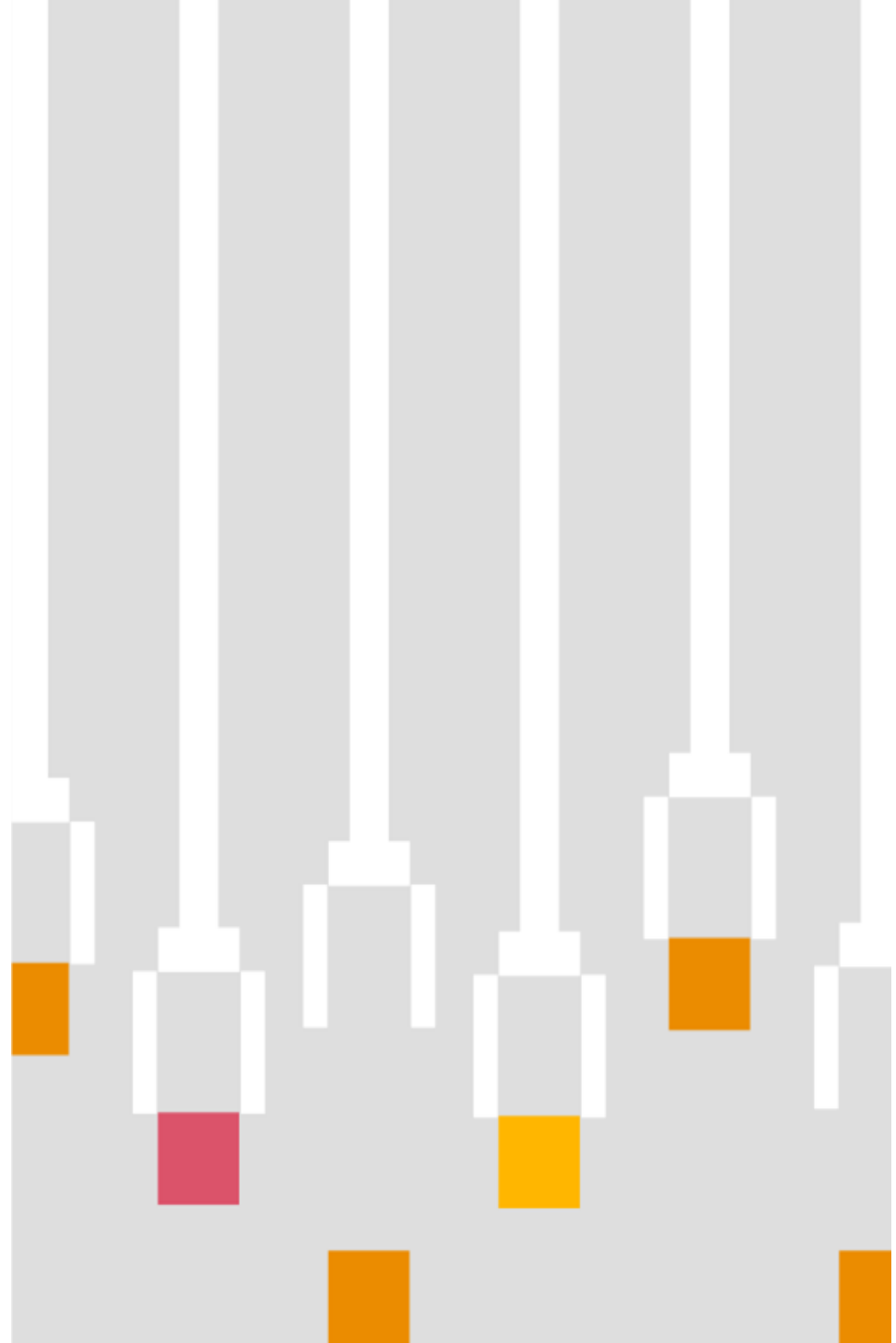| Event	Impact	Impact Rating	Risk Response	Cost to Implement
Compliance: Bank A fails to licensed its investment advisors	Closure of the bank by the regulators	Significant	Risk Prevention: Implement policy that new advisors must produce license before they are added to the payroll system	US$25K

What however do we mean by a business interruption?

Event	Impact	Impact Rating	Risk Response	Cost to Implement
Environmental: Category 5 hurricane causing significant damage to office locations and IT systems	Inability to serve customers and significant loss of revenue	Significant	Risk Mitigation: Good disaster preparation and develop and test business continuity plans	US$500K

What however do we mean by a business interruption?

Event	Impact	Impact Rating	Risk Response	Cost to Implement
Operational: Fire at main building of Insurance Company A	Loss of lives & inability to serve customers and other stakeholders	Risk prevention & mitigation	Develop and implement a business continuity capability	US$1M

Key observations and questions relating to these 4 examples

Key observations and questions

1. **Observations: Disruption (to varying degrees) can come from a variety of risks**

   1. Strategic (competition)

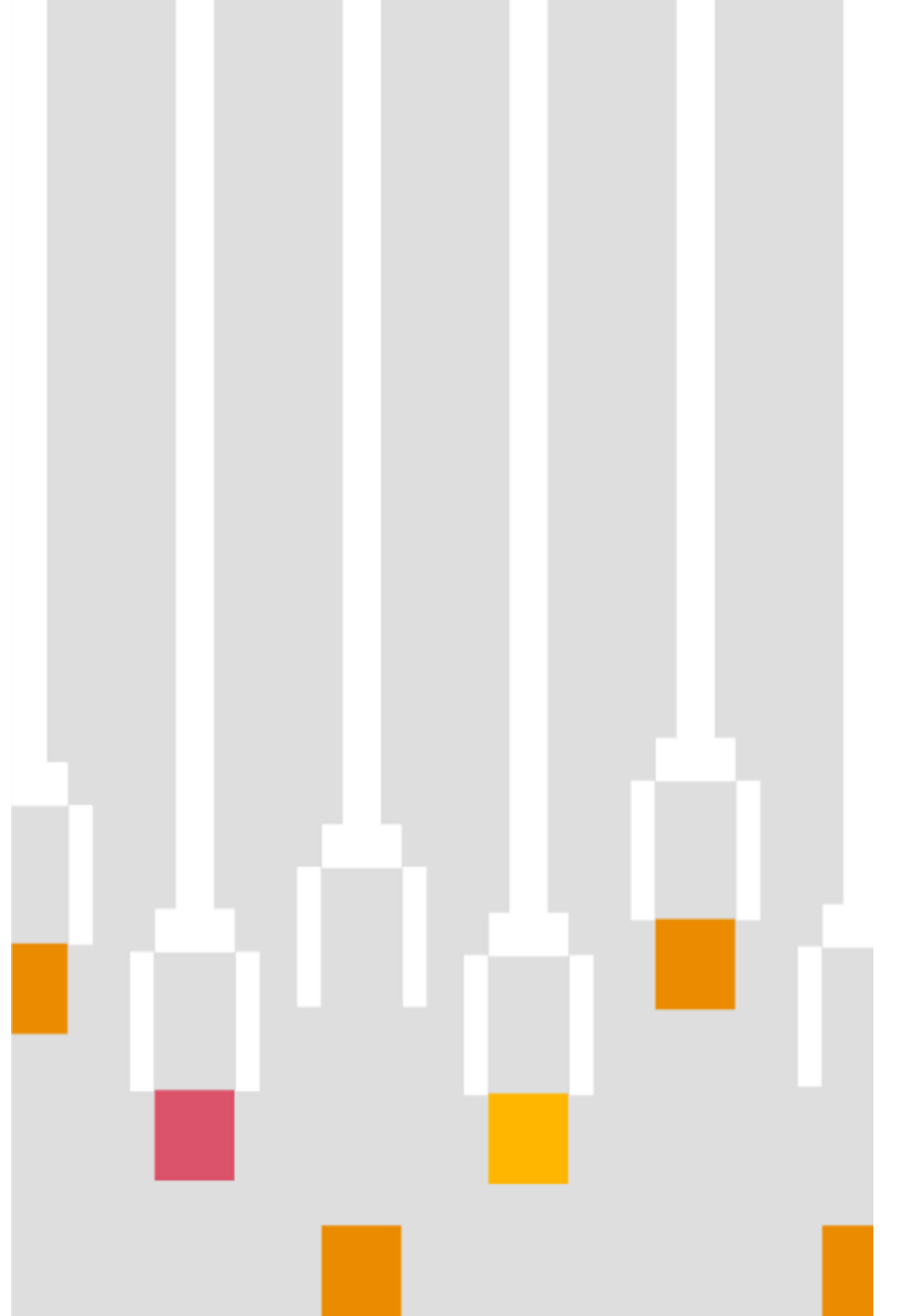   2. Compliance (licensing of investment advisors)

   3. Environmental (category 5 hurricane)

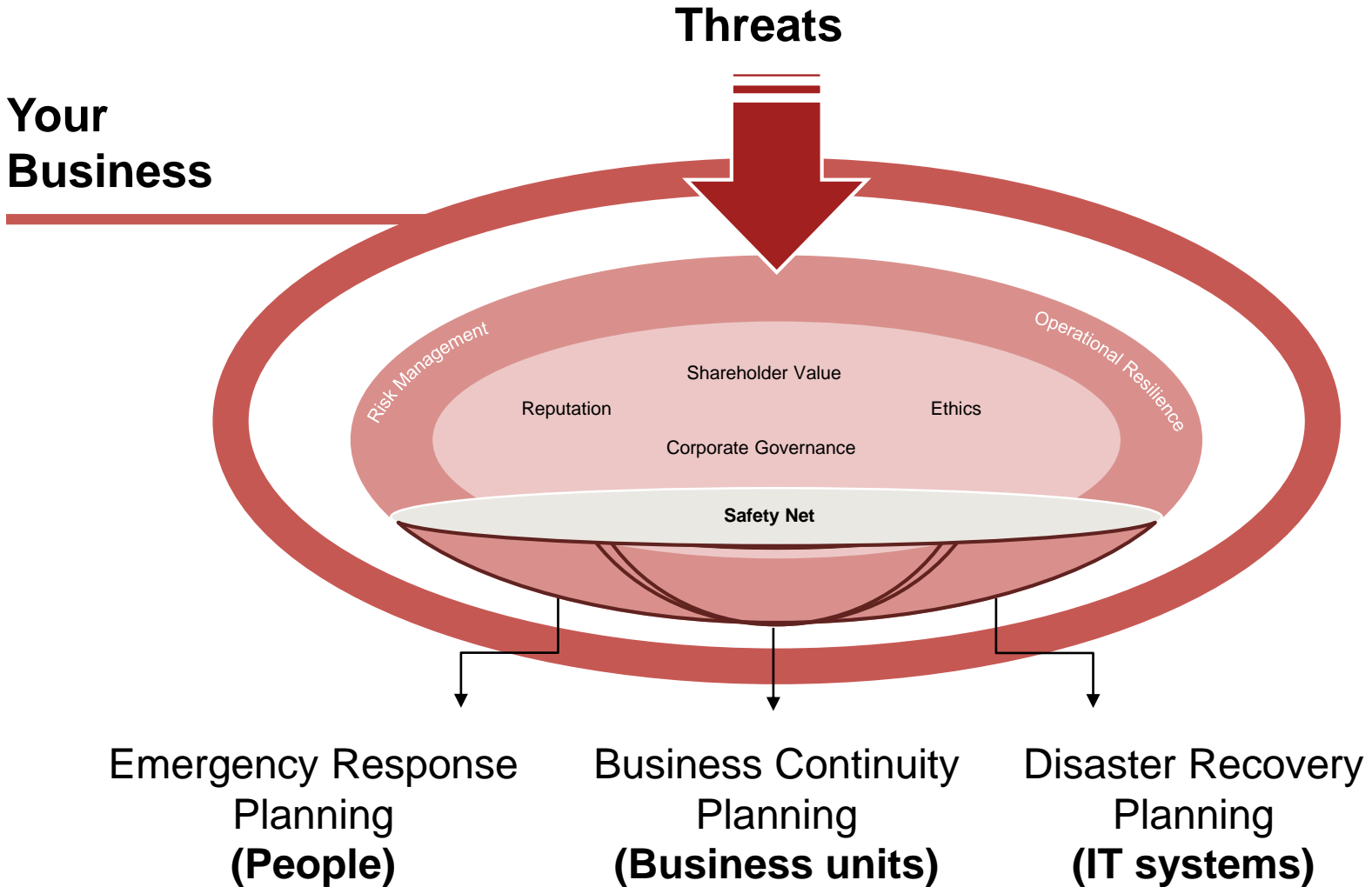   4. Operational (fire at head office of an insurance company)

Key observations and questions

1. **Group 1: Question:** How can your entity deliberately and strategically go about finding and managing these types of disruptions ?

2. **Group 2: Question:** How would you compare the skill set and the seniority of the staff required to address the strategic disruption (competitor) vs the operational disruption (fire at head office)

3. **Group 3: Question:** Is the Category 5 hurricane more of a threat to the ability of a company to continue its operations than the fire at the insurance company?

Building a better BCP response from a physical disaster event affecting your business

What is Business Continuity Planning?

Threats

Your Business

Risk Management

Operational Resilience

Shareholder Value

Reputation

Ethics

Corporate Governance

Safety Net

Emergency Response Planning
(People)

Business Continuity Planning
(Business units)

Disaster Recovery Planning
(IT systems)

Scenario – Would you be ready?

What if all the senior managers of your company were in Eleuthera at a retreat and the CEO (who is also at the retreat) gets a call that the main corporate building in Nassau which houses 90% of the staff, including the data centre were on fire – **Would you, the CEO and the other senior manager know what to do to keep the business going?**

What is Business Continuity Planning? *(continued)*

A definition:

Procedures that are instituted <u>to *continue* the operations</u> of your business <u>*despite a significant interruption*</u> (to its buildings, IT systems or employees) with the ultimate objective of <u>*restoring the business to pre-disaster levels.*</u>

Business Continuity Planning (BCP) maturity index

On a scale of 1 to 5 rank the level of maturity of your company's business continuity program

1   **Immature:** No formal BCP activities and plans

2   **Somewhat mature:** BCP is often discussed and limited activities are executed but no formal BCP roles and responsibilities have been assigned and no plans in place

3   **Fairly mature**: BCP coordinator has been identified, with outdated plans and no BCP committee

4   **Good maturity:** BCP coordinator and BCP committee exist with BCP budget, plans and high levels of BCP awareness across the company

5   **Very mature:** Updated plans and BCP governance structure and budgets are in place

Barriers affecting your ability to develop a more mature BCP process

Identify what you consider to be the biggest potential obstacle for moving your company to a higher level of maturity:
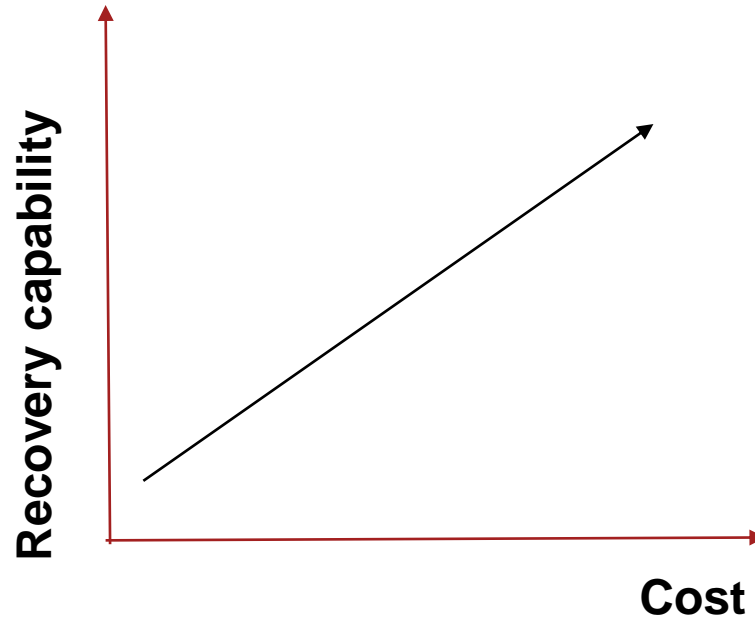
Potential obstacles

1. A belief that nothing will happen – So no need to spend

2. A belief that once an IT plan is in place, all is well

3. Lack of a good understanding of what is required

4. Same people doing all the work – Staff are overwhelmed

5. A belief that BCP is not a priority item

# An approach towards improving your BCP maturity/capability
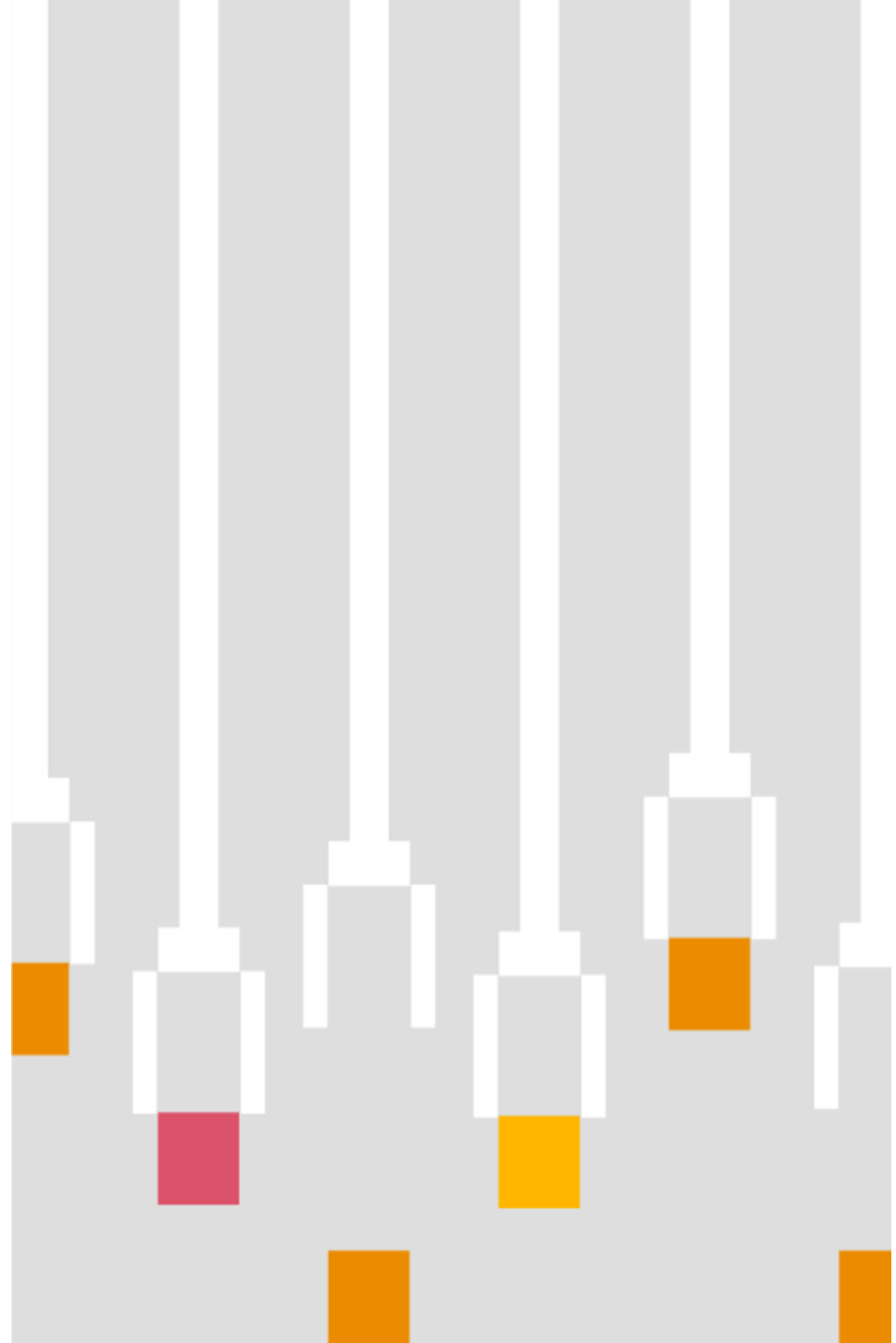
An approach towards improving your BCP maturity/capability

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1. Develop **plan assumptions**

2. Do a **risk and vulnerability assessment**

3. Conduct a **business impact analysis**

4. Develop **recovery strategies** that will meet the downtime tolerances of key business processes

5. Document **crisis management and continuity plans**

6. Conduct **plan testing** (including simulation testing)

7. Define your **BCP policy and governance** framework

8. Apply **a smart BCP approach** to the governance framework

Develop plan assumptions
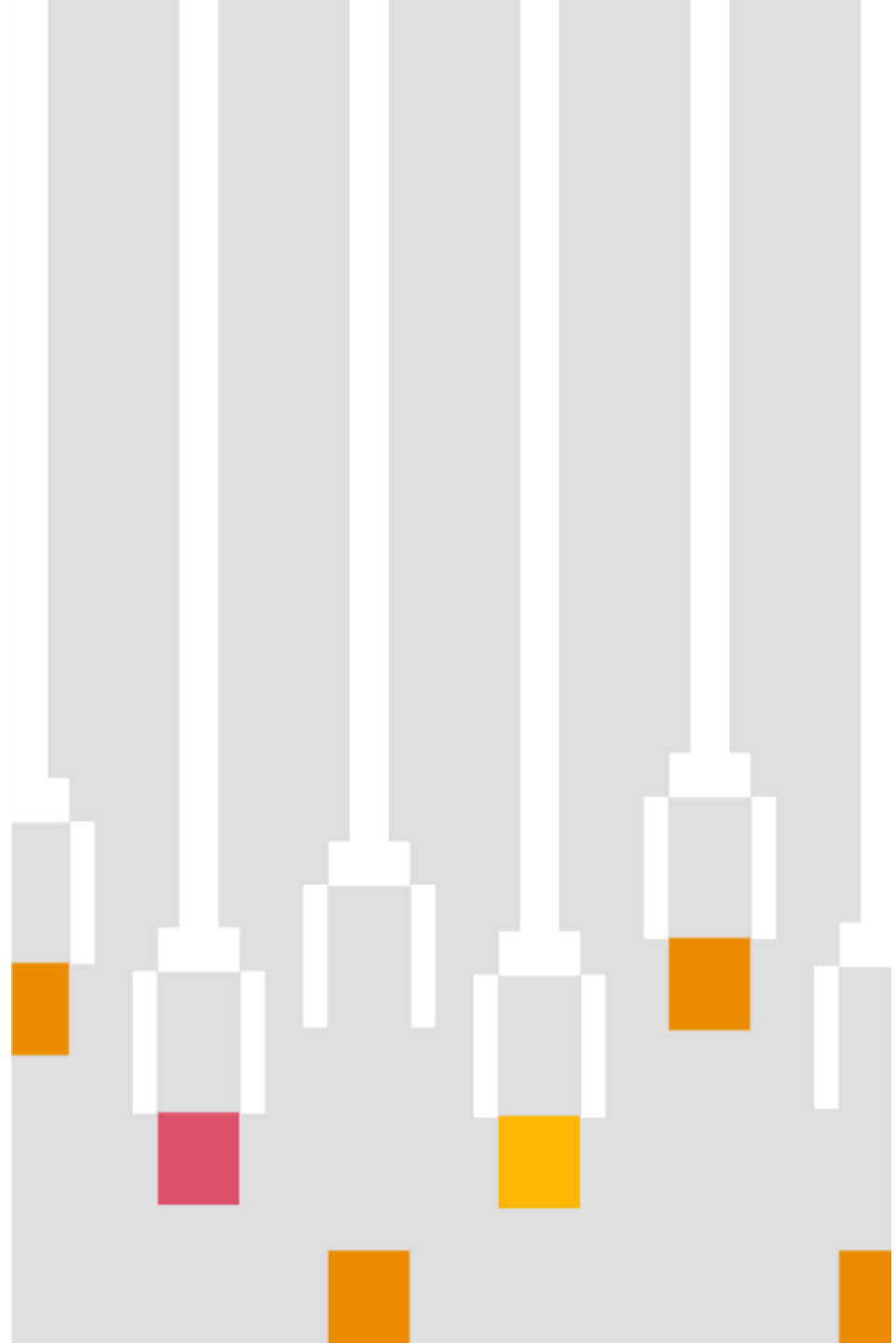
Develop Plan Assumptions

1. **<u>Purpose:</u>** To establish the boundaries in which the continuity plans will be done

Develop plan assumptions

1. **Key likely plan assumptions: SCENARIO 1: unique disaster event affecting only your organization**

   - You are suffering a unique disaster (your stakeholders are unaffected)

   - You don't have access to your business location for up to 30 days

   - Most of your staff members are available (one or two key staff are not available)

Develop plan assumptions

2. **Key likely assumption: SCENARIO 2:** **entire island is affected, not all businesses are devastated**

    - **Best possible** **disaster preparation procedures** **are employed (e.g. hurricane preparation)**

    - **Despite good disaster preparation** **– assume that some major damage still occurs**

    - **IT systems** **are backed up in the cloud**

    - **You have** **access to most staff** **and the impact last for up to 0 days**

Develop plan assumptions

3. Key likely assumption: SCENARIO 3

- **The entire island is affected – all business are devastated (people response becomes even more important)**

Develop plan assumptions: conclusion

1. **Think through these 3 plan assumptions**

2. **Design plans that will continue the business under the assumptions that are in line with your risk appetite**

    1. **Example: Company A could only plan to continue the business under scenarios 1 and 2**

        *   **If scenario 3 happens the will simply rebuild (insurance funds to help) from scratch and keep the focus on accounting for staff and others**

Develop plan assumptions: conclusion

2. **Design plans that will continue the business under the assumptions that are in line with your risk appetite**

   2. **Example: Company B depending on their business could plan to continue under all 3 scenarios including scenario 3 (because their key stakeholders are overseas)**

      - **For scenarios 3, plans may include IT in the cloud and flying key staff to overseas locations**

Facilities Risk & Vulnerability Assessment
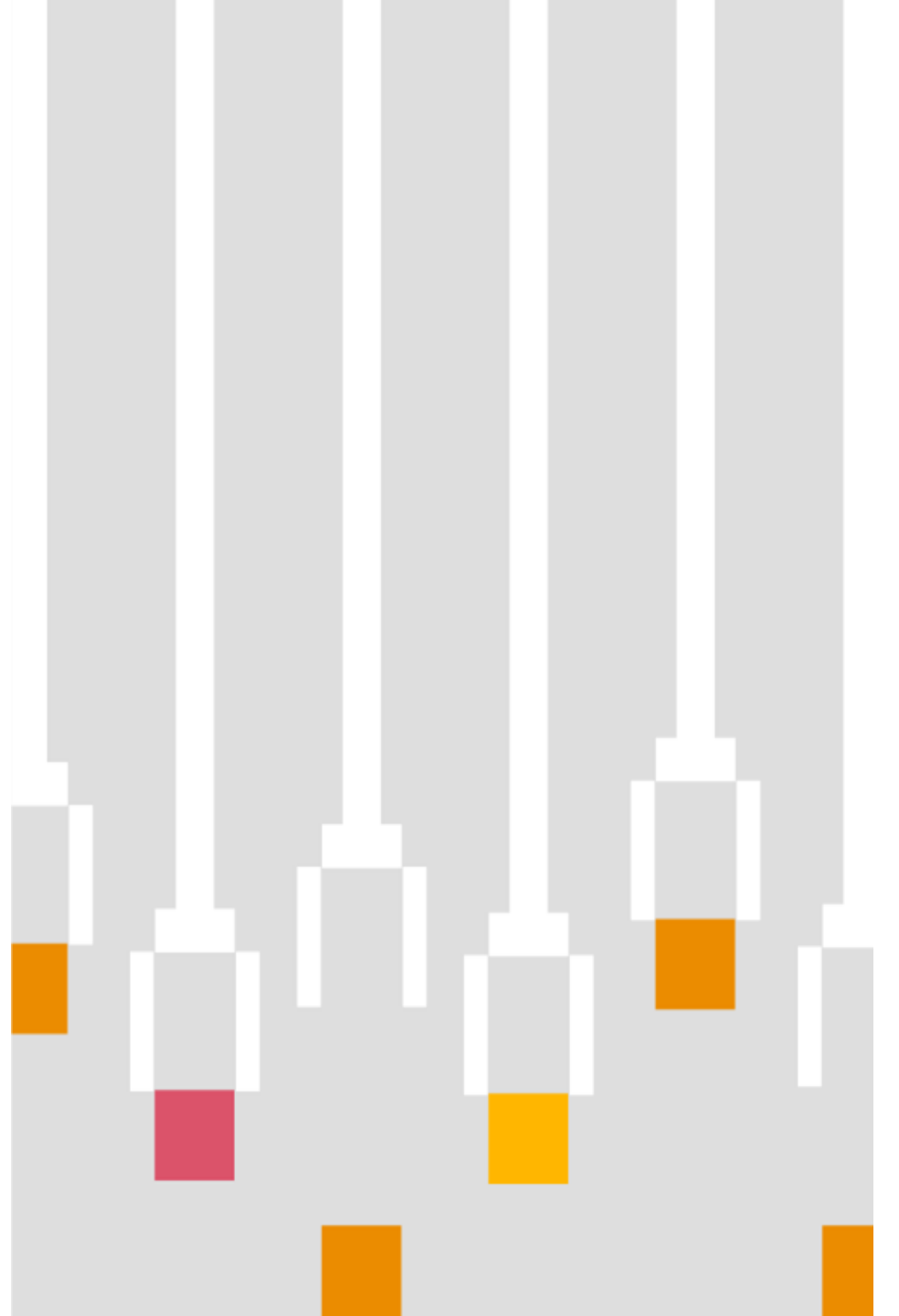
Facilities Risk & Vulnerability Assessment

1. **<u>Purpose:</u>** To identify threats that could lead to disasters

   - Identify exposures to known threats

   - Develop action plan (4 risk responses) where vulnerabilities have been identified

   - The assessment can be done by physical inspection and interviews

Facilities Risk & Vulnerability Assessment

Threats	Risk	Risk Rating	Risk Response	Risk Owner	Due Date
Fire	Fire extinguishers not being services	High	Train staff annually (US$5k)	Facilities Manager	30 Nov 19
Earthquake					
Hurricane					
Power failure					
System failure					
Sabotage					

Facilities Risk & Vulnerability Assessment

EXERCISE:

1. Identify for your organization the (Yes / No) responses to the "Fire" related questions (next slides)

2. The "No" answers represent actual risk exposures – hence rate the risks and make recommendations to reduce the risk exposure

3. Fire Suppression Systems

Is the building equipped with an automated fire suppression system? ❑ Yes ❑ No

Comments:

Are hand-held fire extinguishers of appropriate type and charge mounted near exit doors? ❑ Yes ❑ No

Comments:

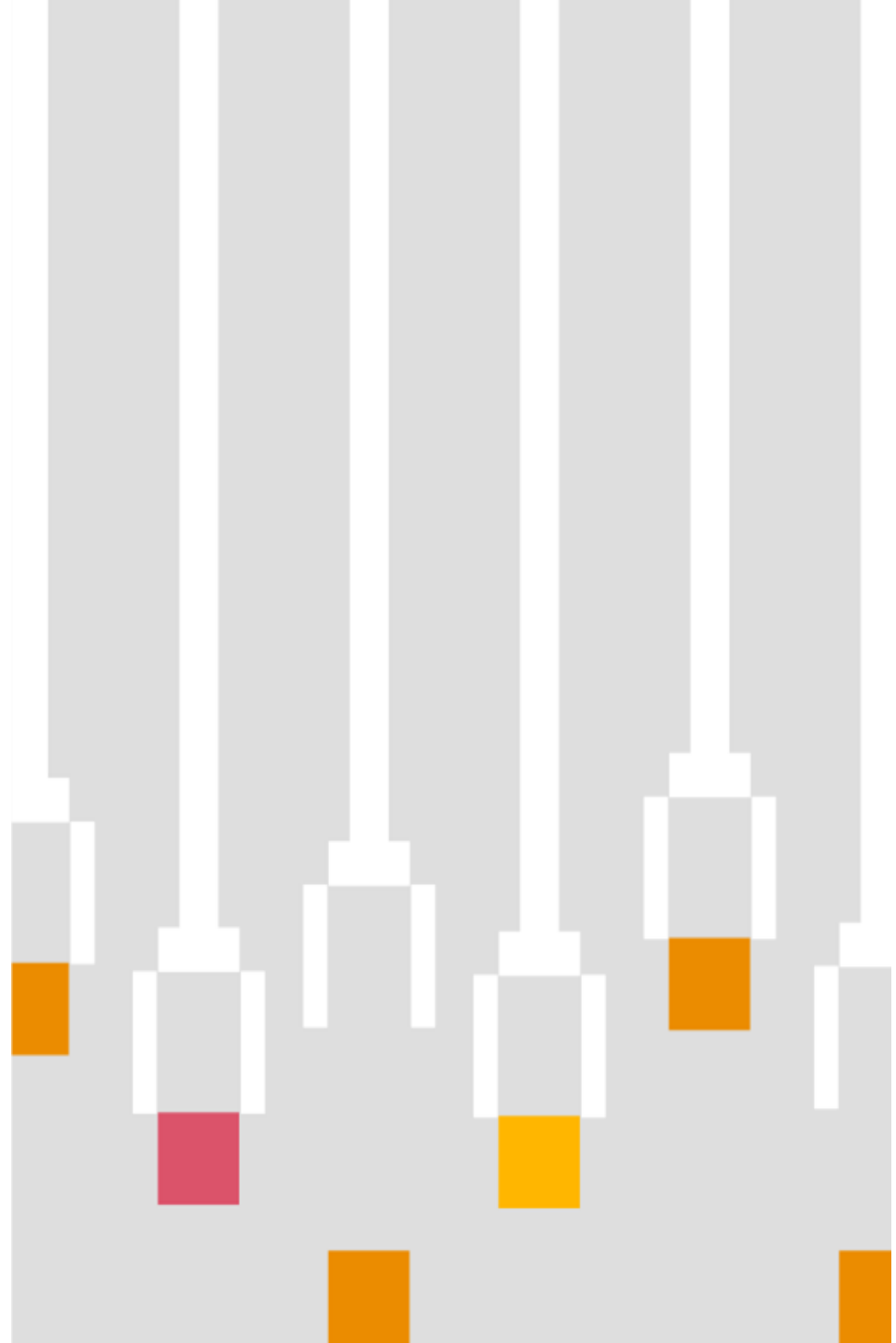Are employees familiar with the use of hand-held fire extinguishers? ❑ Yes ❑ No

Comments:

Have the automatic suppression systems installed in all critical areas been inspected *and* tested recently? ❑ Yes ❑ No

Comments:

Have all fire extinguishers been tested recently/on a regular basis? ❑ Yes ❑ No

Comments:

Business Impact Analysis

Business Impact Analysis

1. **Purpose:** To identify impact of a disaster and resources required to continue the business at an acceptable level after a disaster

Business Impact Template

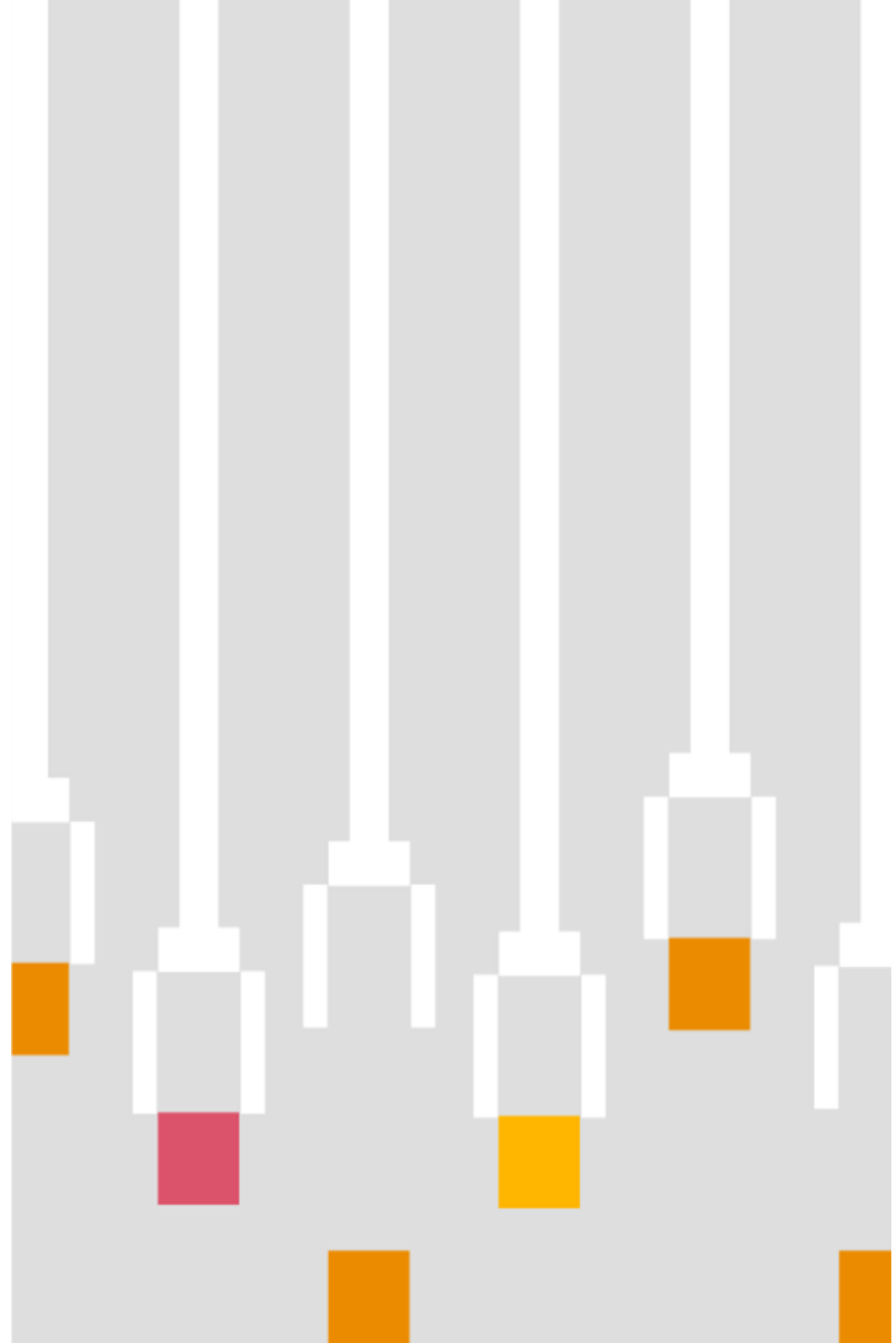| Dept.	Process	IT app	RTO (C,V,N, R, NR)	Vital Records	People	Dependencies

Exercise: Complete this table for two of your processes

Dept.	Process	IT app	RTO (C,V,N, R, NR)	Vital Records	People	Dependencies

Strategy Selection

1. **<u>Purpose:</u>** To select the most cost effective recovery strategy

Strategy Selection

Strategy Selection

Approach to strategy selection:

1. Do nothing

2. Replicate everything

3. Choose strategy between do nothing and replicate everything

Strategy Selection

Typical Strategy Selection Options:

1

- **Hot Site.** Replica of primary location

2

- **Cold Site** Only a building with wiring

3

- **Reciprocal arrangements:** Agreements to go to a supplier or third party for help

4

- **Out of the Box Thinking** (potential mixture of all the above)

5

- **Do Nothing**

Business impact analysis / strategy selection – illustration

Department	Location	Business Process Ranking	Persons Required	Recovery Strategy Option
Credit (a total of 10 business processes in the department. Department has 12 persons)	Head Office	**5 processes** requiring recovery within **1 day (critical processes)** of a disaster	4	
		2 processes requiring recovery within **2 to 3 days (vital processes)**	2	
		Other 3 processes in the **department are not required** under disaster conditions	0	
Total			6/12	

Strategy Selection

Exercise

1. Which recovery strategy or strategies would be most effective in recovering your two business processes

    1. Hot site

    2. Cold site

    3. Warm site

    4. Reciprocal arrangement

    5. Do nothing

Plan Documentation
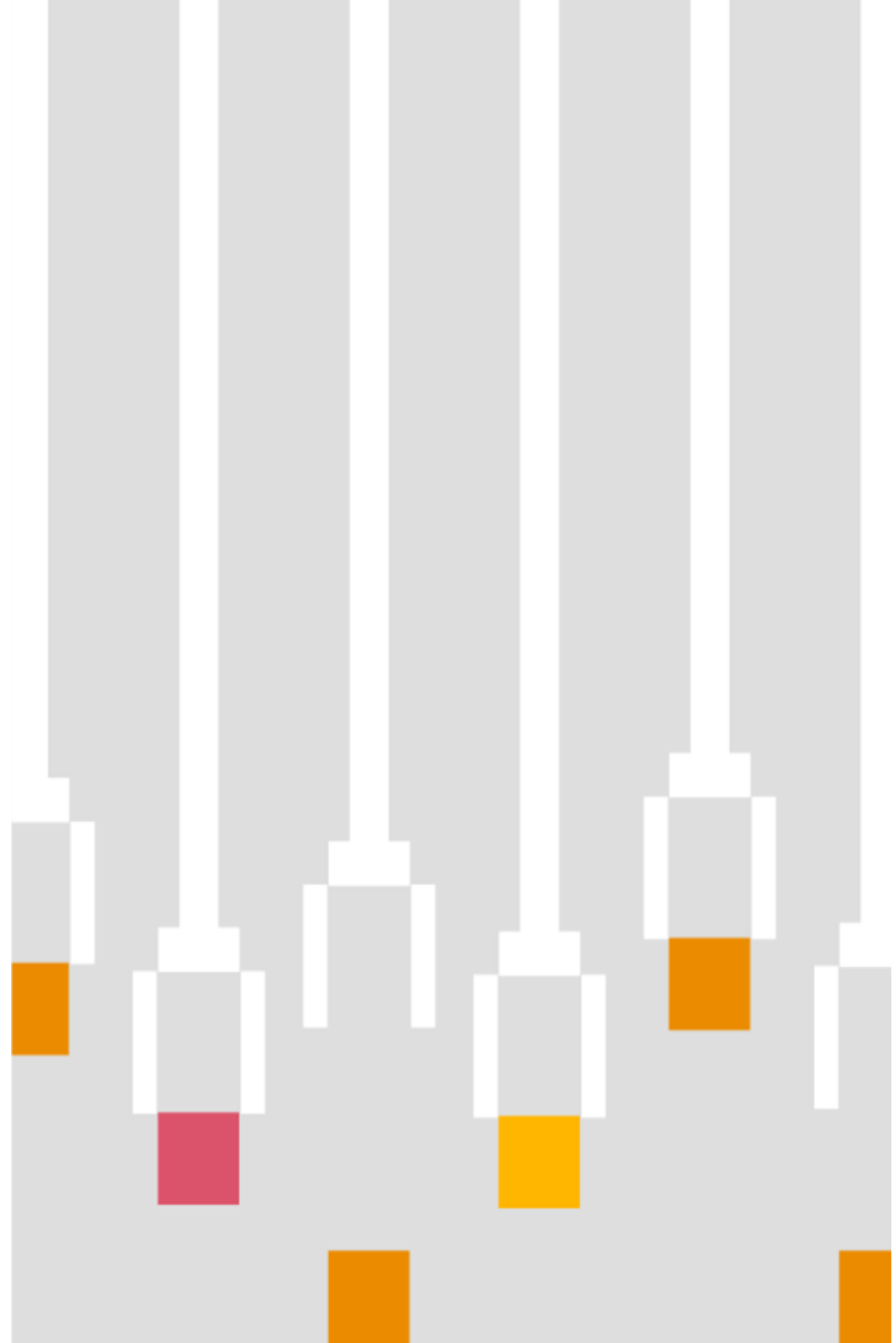
Plan Documentation & Testing

Purpose:

To record a set of procedures, based primarily on predetermined decisions that will guide the recovery of the business despite a disaster

Plan Documentation & Testing
Plan documentation:

1. **Purpose of plan documentation :** To establish command and control **immediately after the incident** and to support the continuation of the processing of key business processes:

2. **Crisis communications plans:**
    –   Command Recovery Team Plan
    –   Communication Plan
    –   Damage Assessment Plan
    –   IT and Telecommunication Plan
    –   HR and Admin Plan

3. **Continuity plans – each department (e.g. Finance, HR etc.)**
    –   These plans contain the business processes in each dept. that are deemed key for recovery and **what should** be done to continue their processing

Summary & Next Steps

An approach towards improving your BCP maturity/capability

1. Develop **plan assumptions**

2. Do a **risk and vulnerability assessment**

3. Conduct a **business impact analysis**

4. Develop **recovery strategies** that will meet the downtime tolerances of key business processes

5. Document **crisis management and continuity plans**

6. Conduct **plan testing** (including simulation testing)

7. Define your **BCP policy and governance** framework

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Recovery capability

Cost
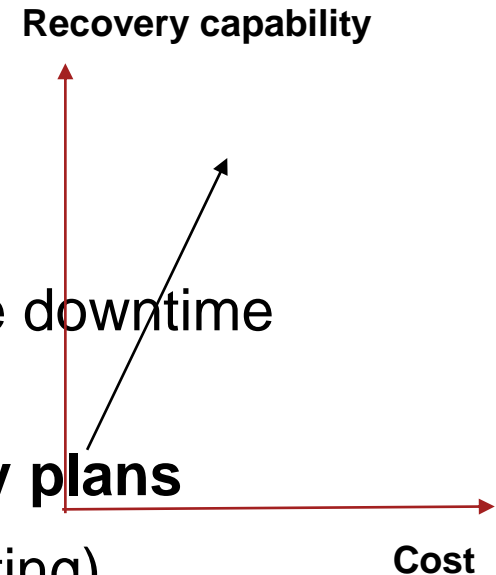
Things to ponder and action after you leave this seminar

1. Do a **gap analysis** of your existing BCP capability (do maturity ranking)

2. **Do a presentation to your CEO/Executive team** on current exposures identified, implications of the gap and timeline towards closing the gaps

3. **Check if anyone in the co. have BCP skills** that can be used to close the gaps identified

4. **Seek help if in-house BCP skills don't exist** or if they exist, may need to be supplemented with external support

5. Consultants, if used should be required **to transfer knowledge** during the project and to leave behind methodologies and tools

Conclusion

Michael Magdol, vice chairman of risk management, Fidelity Trust Co. Int'l:

"A DR plan will never work if it's not driven from the top down from people who say they are deadly serious," says Magdol. *"That's the most important thing. There also **has to be an allocation for it in the budget**. It's going **to cost money** to put it in, and there has to be a belief in the need for it."*

Conclusion

Bruce is a certified business continuity professional (CBCP) with the Disaster Recovery Institute International (DRII). He has been providing BCP services for close to sixteen years and has done extensive BCP work for Caribbean companies, in Trinidad & Tobago, Bahamas, Barbados, British Virgin Island, Turks & Caicos and Jamaica. He is the PwC Caribbean Region Risk Assurance Leader (Onshore) and the regional subject matter expert on BCP and ERM.

He is a Christian, Church Elder, motivational speaker and itinerant preacher. He is married to one wife and have 3 sons. In his spare time he plays golf, develops his budding keyboard / piano skills and likes to share his views on world religions.

Thank you

Questions?