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Dealing with Disaster
Choosing a Business Centre Recovery

BUSINESS
Designing a Continuity Plan

More than ever, banks are preparing Business Continuity Plans. Fiona Raymond-Cox, Senior Manager, PricewaterhouseCoopers, discusses how these might be designed and implemented, including what pitfalls to avoid.

How should senior management be approached in terms of being involved in BCPs?

The best way to garner senior management acceptance of the Business Continuity Planning ('BCP') process is to involve them from the outset. One effective method is through the use of structured workshops designed to help senior executives – who will be responsible for leading the recovery process in the event of a real crisis – to rethink the preparedness of their businesses to deal with a crisis.

A common failing in Business Continuity Planning projects is when management pays lip service to the BCP programme. All too often we find that the key decision makers (senior executives/ top management) are not involved in the development of their organisation's Business Continuity Plans. In the event of a disaster, because they have not participated in the decision-making process at the outset and have had no training in crisis management, they will be unfamiliar with their business recovery plans potentially leading to costly delays or misunderstandings. Worse, in a crisis, they may even second guess or bypass the plans completely, jeopordising the recovery process.

At PricewaterhouseCoopers, we are often called upon to design and run a variety of workshops for senior executives during a BCP project. These can be structured to help them better understand the threats and risks to their business, to help identify critical business 'enablers' (eg, assets, processes, people, information, etc.), and to assess the preparedness of their business to successfully manage a disaster. For example, our team of dedicated advisers may act as facilitators during a simulation by leading the selected participants through a mock crisis. We repeatedly find that this top down approach not only tests their thinking and helps to gain insight into the adequacy and comprehensiveness of the plans but also provides a high degree of management buy-in to the process.

We came across a situation at a bank where the management team was unable to develop an effective BCP because members of the management team wanted to develop recovery procedures for their own business lines and were unwilling to share information. There was no consensus to determine an appropriate recovery strategy for the Bank as a whole and the costs of the BCP programme became untenable as each business line deemed itself to be of highest priority. A workshop approach collaboratively involving representatives from across the Bank, had it been adopted at the time, would have been ideally suited to this bank with its disparate management culture.

It is not uncommon to learn that what one business unit may consider to be low/high priority in isolation may prove to be more/less important when viewed in the context of the overall business. An enterprise wide approach enables senior management to determine the prioritisation of business functions and support services for recovery purposes and the minimum resources required to achieve a rapid recovery following an emergency across the organisation as a whole. It also provides senior management with a greater understanding of the thought processes and subsequent procedures that are put in place for Business Continuity Planning purposes.

How should critical business areas be defined and included in backup plans?

Whilst the terminology may vary, a workable Business Continuity Plan will often comprise three components, namely:
- Crisis Management: This provides the executive team with a recovery management structure along with a clear chain of command, roles and responsibilities;
- Business Continuity: Looking at the operational side of the business; and
- Disaster Recovery: Addressing technology-related recovery procedures.

Let us not forget that the purpose of a business continuity capability is to ensure that in the event of disruption to business, there is minimal acceptable impact (as determined by management) on business critical operations, profits, customers and public image

We find that the most efficient way to ensure the inclusion of critical business areas into the recovery process is through the workshop mechanism because the management team can identify critical business functions at the outset. As identified in question #1, one business unit's view of their value to the organisation may be seen in a very different light when looked in the overall context of the business. Healthy debate amongst senior management, with the CEO or CFO acting as a moderator, is a good way to determine which parts of the business are critical to the organisation.

Management should only spend money on a BCP where it addresses real risk. Therefore, having identified the critical business areas and discussed possible risks the organisation

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may face, management should assess what counter-measures currently exist in order to determine the residual risk. Only then will they be in a position to develop and implement a BCP which is cost effective.

The development of the plan itself needs to include the identification of the minimum disruption tolerance periods for critical functions as well as list the optimal recovery sequence and their minimum recovery resource requirements. The objective should be to develop a detailed BCP for the organisation which will enable a timely and co-ordinated recovery of critical business functions. The BCP should be designed to be interpreted and applied by those managing the recovery process. It should cover a realistic 'worst case' situation (eg, normally the destructive loss of the main place of work and its contents, fire, loss of telecommunications for extended periods, loss of key staff, severe typhoon, sabotage) to less severe situations (eg, temporary loss of access to a building, isolated power failure to part of an office, burst water pipe). The BCP should identify key recovery activities, decisions and the information needed to make decisions, and be designed as a flexible tool that can be adapted to fit prevailing circumstances. It should support recovery activities that are in-line with the agreed recovery strategy selected by management. In addition, the BCP should take into account any assumptions regarding the recovery facilities that will be in place.

To ensure the success of a recovery strategy, the staff involved in implementing the recovery strategy must have a clear understanding of the actions required of them and resources available to them in the event of a disaster. Organisations should:
- Develop a crisis management response plan;
- Define the recovery team organisational structure, which includes the identification of key roles, successors, contact information, and the clear definition of roles and responsibilities of each team members; and

- Develop a set of high-level recovery actions for each identified business function/process which must be taken to achieve the recovery objectives within the stated time periods, including the setting up of the recovery environment during the disaster.

Finally, if the plan is to be workable, it is essential that the BCP is developed and reviewed by those staff responsible for its implementation to confirm its relevance, accuracy and completeness.

How to identify and manage the costs of disaster planning?

How much an organisation is willing to spend on putting in place recovery measures is dependent on it first identifying its business critical operations (see question #2 above). Thereafter, it needs to quantify the extent of its potential losses – direct, indirect and reputation – over time. For example, the loss of a critical business operation / function for one hour, one day, one week or longer will have a very different impact on the organisation's bottom line. At the critical point when speed is of the essence for business resumption, time, money and resources are wasted if there is no Business Continuity Plan to fall back on and costs are unlikely to be contained in this event.

It is only possible to determine the appropriate recovery strategy when management have ascertained the level of risk it is willing to bear through a Business Impact Analysis. This, in turn, then drives the development of a plan to support these business decisions.

Senior management needs to identify the essential processes and minimum resources required to support the recovery of critical business functions in the event of business interruption. They should discuss a range of recovery options, the advantages and disadvantages of each choice in order to determine the most appropriate and cost-effective solutions

ie, perform a cost/benefit analysis for each solution. For example, the organisation may consider the use of third party recovery facilities, the provision of standby or resilient equipment or services, or even the controlled suspension of specific activities until recovery has been achieved. Depending on the recovery option, there are essential pre-requisites necessary for a successful implementation of the solution which include:

- The optimal sequence of recovery activities;
- Minimum staffing requirements;
- Telecommunications infrastructure requirements;
- The necessary IT network infrastructure to support recovery efforts;
- Premises and facilities requirements; and
- Logistics, remote storage, and other recovery related factors.

Whilst a BCP is often seen as an insurance mechanism, the amount of time, effort and money to invest in a BCP programme should be commensurate with both the assessed levels of threat/risk and the potential losses should a disaster/disruption occur. For example, if an organisation determines that the financial loss to the business over a particular period of disruption or downtime is equal to, say, $500,000, then it would clearly not make good business sense to implement recovery plans that cost $1million. However, if spending $1million on developing a BCP enables the business to prevent or minimise significant or even catastrophic financial losses (and associated indirect impact) and the risk of such a disaster occurring is less than remote then the money invested in a BCP is well spent.

How to include vendors, clients in the plan?

As we witnessed during the events of 9/11 in the USA, over reliance on business recovery centres and particularly those running IT systems ('hot sites') was a problem – too many organisations ran to the same place as they had agreements to operate on a first-come-first-served basis; they simply could not cope with the demand. Likewise, telecommunication companies were also unable to manage the peak usage. Other vendors went out of business themselves.

Communication is key. In view of the lessons learned, it is of paramount importance to ascertain the level of support that the organisation needs to meet its recovery timeframe and objectives. Verifying the adequacy, relevance and usefulness of existing business recovery solutions is essential. This includes challenging the contractual arrangements with vendors to ensure that the provision of technical support and/ or equipment is sufficient to ensure continued availability.

Details of vendor as well as key client information need to be incorporated into the plan including urgent contact numbers. Further, the information should be reviewed and amended on a regular basis in order that the details remain current.

The involvement of vendors and clients in tests will ensure a greater level of understanding of the service vendors are able to genuinely deliver to the organisation and, in turn, inform the organisation's clients of its ability to continue to serve them.

How do you propose the plan be tested frequently and thoroughly?

The viability of a BCP is best established through practical

training as well as testing.

We believe that staff familiarity with all aspects of the BCP will determine the success or failure of the plan. Training for employees and management is best achieved through a formal training process that is executed on a regular basis. Training should therefore be provided to those members of staff who are required to (a) help maintain the BCP, (b) execute various plan segments in the event of a disaster, and (c) heighten Business Continuity Planning awareness for those employees not directly involved in maintaining and/or executing the plan. Training sessions may take the form of departmental training sessions, or cross-departmental sessions.

It is a good idea to develop an appropriate test strategy that provides details of test schedules such as test levels, test types (for component testing), test objectives and scheduled test dates.

There are three distinct test levels to help validate the BCP's accuracy and effectiveness:
- the structured walk-through;
- component testing; and
- integrated simulations (full operations tests).

The structured walk-through, also referred to as a 'table-top' exercise, is a paper evaluation of a BCP designed to expose errors or omissions without incurring the level of planning and expenses associated with performing a full operations test. This is, in effect, a role play of a 'disaster' scenario that takes place within the confines and safety of a conference room.

Component tests are actual physical exercises designed to assess the readiness and effectiveness of discrete plan elements and recovery activities. They may include testing evacuation procedures, emergency notification 'call tree' tests, recovery of specific applications, invocation of data recovery contracts, etc. The isolation of key recovery activities allows team members to focus their efforts while limiting testing expense and resources. This method of testing is effective for identifying and resolving issues that may adversely affect the successful completion of a full operations test.

The most sophisticated of the tests is the full operations test which requires extensive planning and preparation and should not be performed until most, if not all, of the plan components have been tested. This test requires the simulated recovery of critical business functions – it is the closest exercise to an actual disaster. Although a full operations test requires weeks of planning and considerable coordination of personnel and resources, the exercise provides management with a level of confidence about their ability to recover in an actual event.

The success of a plan does not rely solely on training or testing, but continual maintenance. So long as it is reviewed and updated to, among other things, reflect current business strategy, business changed through mergers, acquisitions or restructuring or changing staff, clients, vendors, it will remain a workable plan. **BT**

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