

# CIR

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## **The Evolution of Business Continuity Management**

# New risks require a BCM evolution

## Risk events and business interruptions can be costly

The **potential financial loss** due to downtime is staggering. It can reach as high as \$2.8 million per hour for some industries.

That's over

**\$67 million**

per day.<sup>1</sup>



## Business continuity management (BCM) is critical to help reduce risk

Over **75%**

of executives surveyed named **business continuity** as one of the **top IT responsibilities** where risk of reputational harm is highest.<sup>2</sup>



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## Apply these seven practices to build a more cohesive and integrated BCM program



1 Secure an **executive "champion"** for business continuity management.



2 Conduct a **comprehensive assessment** of your current business resilience posture.



3 **Elevate** the business continuity management discussion to the enterprise risk-management level.



4 Perform a **holistic analysis** by looking across organizational and location boundaries.



5 Identify the most critical processes in terms of BCM priority for **driving business strategy**.



6 Apply a **common, integrated and organization-wide BCM** approach to help enable more consistent planning and risk mitigation.



7 Establish a **centralized governance** structure integrated across business and IT.

## A vast majority of companies do not have a formal BCM plan

Only **17%**

of BCM and IT security specialists surveyed **say their organization has a formal BCM plan** that is applied consistently.<sup>3</sup>



## And most companies with a plan fail to integrate it into their overall business strategy

Only **25%**

of organizations currently **consider recovery and resilience issues** in their business and IT project lifecycles.<sup>4</sup>



## Read the white paper

Read the IBM white paper, "The seven essential practices to effective business continuity management: Building a cohesive and integrated program" to find out how you can evolve your BCM plan to better support your strategic objectives.

Go to [ibm.co/1oDJ0vq](http://ibm.co/1oDJ0vq)



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<sup>1</sup> PECB, "ISO 22301 white paper: Societal security business continuity management systems," 2012, [www.pecb.org/iso22301](http://www.pecb.org/iso22301)

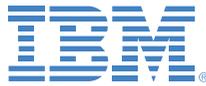
<sup>2</sup> IBM, "Reputational risk and IT: How security and business continuity can shape the reputation and value of your company," September 2012.

<sup>3</sup> IBM Corporation, "The economics of IT risk and reputation: What business continuity and IT security really mean to your organization," September 2013.

<sup>4</sup> Gartner, "Predicts 2013: Business Continuity Management and IT Disaster Recovery Management," Report #G00238905, November 2012.



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# The evolution of business continuity management

This roundtable was held to discuss the evolution of business continuity management across the organisation

In today's interconnected, global environment, organisations face a wider range of opportunities but also risks. As their business strategy undergoes significant changes, new risks can arise and unless the organisation adapts its business continuity approach, these risks may be overlooked. With changing business realities, what are the key risks arising for financial organisations? How can practitioners

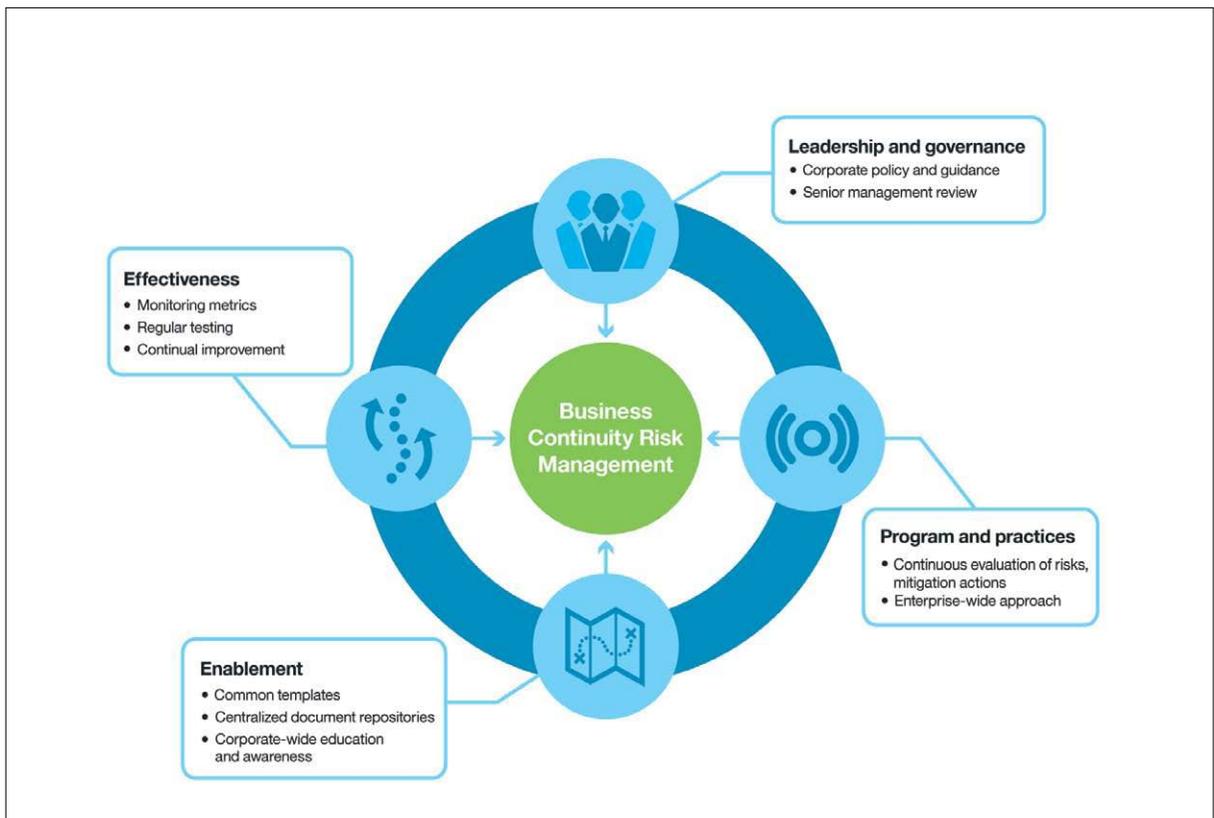
create a more robust business continuity management programme with participation from senior business managers? How can the business continuity management discussion be elevated to the strategic level? What are the best ways to ensure the prioritisation of strategic business processes and develop appropriate business continuity management strategies so that executives can make impact-based

decisions? And how can technology improve an organisation's resiliency posture?

**ME** What are the key risks facing organisations today?

**MD** For us, geo-political related risks, for instance Ukraine, Eurozone and alongside those, without a doubt, cyber risk. Also dependency risk, particularly in outsourcing and offshoring arrangements, which the regulators are also interested in. An important aspect of this is to ensure that the risk owners accept the ownership rather than believing they can offload the risk.

**NC** Are those you outsource to also regulated? Not necessarily? But are you in fact forcing





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upon them the same constraints as if they were regulated?

**MD** Absolutely, yes. From the outset, wherever possible.

**NC** How do you prove that their business continuity is as good as they say it is?

**MD** That really depends on how critical they are to you. It also depends how early on in the process business continuity management is involved, which in my experience tends to range and I know it does in other companies as well. If you are involved at the outset, then obviously you can make these decisions early on, talking to the stakeholders internally and making sure that we conduct the appropriate level of due diligence and, if necessary, that appropriate arrangements are added to the contract.

**NC** I think the biggest risk without a shadow of a doubt is that a lot of the IT systems in many banks are held together with glue and sticky tape after a series of mergers and acquisitions, followed by head-count reductions. Banks face a serious risk as a result of all this change and it is perceivable that one day a bank may not be able to resolve a critical IT issue. This is likely to lead to the eventual demise of that bank.

**MJ** I spend a lot of my time now helping clients assess their operational risk profile, identifying the causes of those risks and proposing suitable mitigations – and what I see as one of the primary drivers of risk is the complexity of their IT landscape. I think if you go across most banks now, their IT is more complex than it has ever been before, typically they have just added on layers and layers

**Attendees:**

<b>Chairman: Mark Evans</b>	Publishing Director	<b>CIR Magazine</b>
<b>A Consultant</b>	Business Continuity Consultant	
<b>Tony Blumson</b>	Head of Global Business Continuity	<b>VTB Capital</b>
<b>Noel Carey</b>	Business Continuity and Resiliency Consultant	<b>IBM</b>
<b>Matthew Dyckhoff</b>	Executive Director, EMEA Business Continuity Management	<b>Nomura</b>
<b>Paul Johnson</b>	Director, Global Financial Institutions, Corporate Banking	<b>Barclays</b>
<b>Martin Jowett</b>	GBS CTO for Banking & Financial Markets Europe	<b>IBM</b>
<b>Charles Lacy</b>	Head of Risk and Resilience	<b>Canary Wharf Group plc</b>
<b>Tim Meikle</b>	IT Disaster Recovery and Business Continuity Planning Manager	<b>Monitise</b>
<b>Dan Murphy</b>	BCRS Strategy Leader	<b>IBM</b>

of new functionality on top of their existing application set, and that set has grown through mergers and acquisitions without the investment required to rationalise and simplify. The ability to make changes in that environment is far more complex than it has ever been and that poses a significantly higher level of risk.

As complexity rises we have the double whammy that there is a greater likelihood that things will go wrong and then when things do go wrong it is harder to understand what did go wrong and put it right. So I think there are underlying trends that the operational risk factors have gone up, whilst at the same time, there is the pressure from the business to be constantly on and always available. You can't afford to be down in a way that you could in the past, because customers always want to access some of your critical services whenever they want to, being unavailable is no longer acceptable. So there are pressures from all directions coming together, making it a much more challenging environment.

**AC** I would say the biggest risk is the volume and pace of change.

**TM** I agree. We have to think differently to handle that. For us, social media is one of our biggest risks. If we lose reputational value, then we are lost as a company. So yes, it is making sure of it, that we are up as fast as possible and if no one notices, and it still doesn't get out on the social websites.

**DM** From our perspective, there is a considerably disruptive series of technology shifts which we term as CAMS (cloud, analytics, mobile and social) which IBM is backing with billions of dollars of investment. It is our future. Underpinning all of that technology are two key aspects. One is security and the other is continuity and resilience. And business continuity management has a really important part to play with regards those two things under all of those aspects and the adoption of those. And, in my opinion, all of those changes from a societal and client perspective are driven by those technology pieces.

**ME** Do you think that by putting technology at the heart of business you are going to increase its continuity or by putting the business first and

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then getting technology to support it would be better for business continuity?

**MJ** Ultimately technology should support the business. It is inconceivable now that a bank or an insurance company can operate without a heavy reliance on technology. Business and IT have got to work hand in glove, but always starting with the business need, and then looking at ways in which that need can be met through technology, as opposed to starting the conversation with what can technology do.

**DM** Most of my clients come to me through changing business requirements, whether that is separation of part of their business, acquisition or regulatory requirements. Whatever it is, it's usually complex. And what I would advocate, is that business continuity management is uniquely positioned to be able to help the organisation to drive some of the competitive advantages that it can generate in addressing some of

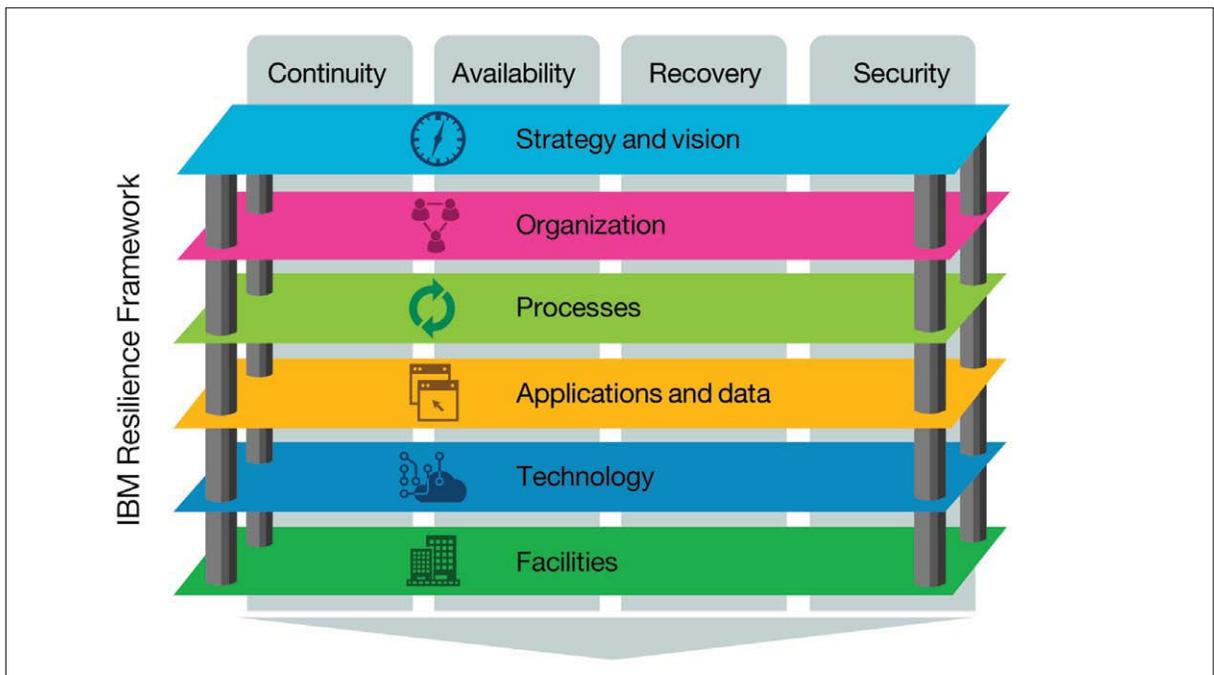
those problems, because it has the rigour and the approach to do so; I think it can influence and differentiate some of the core strategy, by actually getting closer to it.

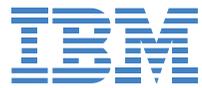
**PJ** I agree. From my perspective I see regulatory criteria driving an increasing part of our clients' focus. If your licence to trade is taken away, that's probably the biggest risk and that threat is very real in certain jurisdictions. For example in the established insurance markets, the regulators are astute in that sector as well as in banking, and they need proof of very strong business continuity management. So the whole risk management criteria in the finance sector seems to be driving corporate agendas as well as the strategy of how companies can develop new markets.

**ME** Is selling business continuity to the board any easier today than in the past? And if so, what has been the key driver behind this?

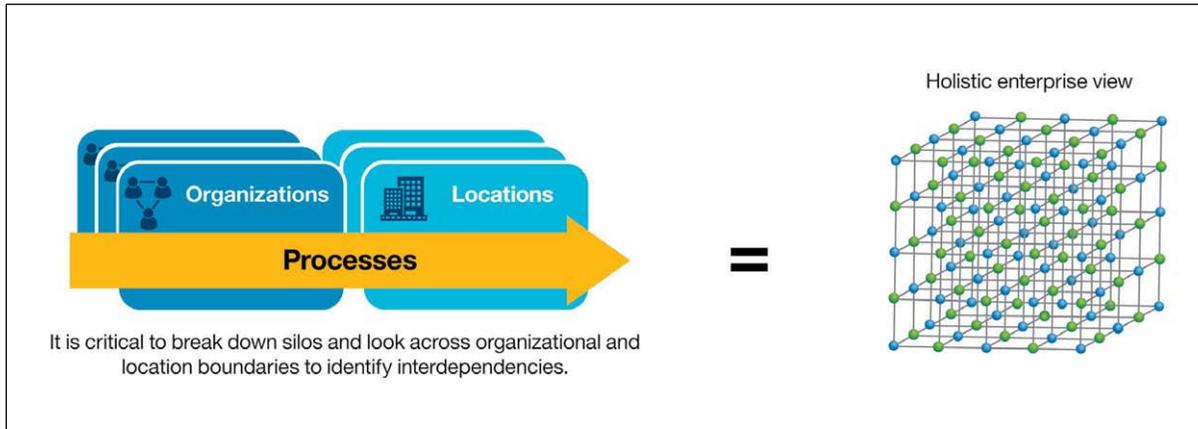
**TB** Yes, when you are seen to add value to a client proposal, you suddenly become interesting. You may not be central to the debate, but you are still a part of it, so that is positive. That said, I believe there still exists an entrenched view among many corporate people that business continuity is something that they have to get past.

**MD** I think that people have moved on from that attitude, at all levels of the organisation. I very often find when senior people arrive, that in the highly available world that we live in, they recognise the need to be available, they recognise the value. It may not be top of their agenda, but they are open to the discussion. The regulators have also helped by insisting on talking to the C-suite about business continuity, and the top investment banks, retail banks, insurance companies and market infrastructure providers have made sure that they have at least a decent level of business continuity so the





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boards are generally aware of it. It is never going to be at the top of the agenda, but it is on the agenda and that is what is important.

**DM** I believe a shift has taken place in the business continuity management arena that represents an opportunity for business continuity management professionals to drive both the business and the practice of business continuity management forward. The world is changing through a number of external influences in terms of the digital economy, in terms of different interactions, the speed of response and the quality of service, so we need to think in different way. Business continuity management needs to follow that path.

**ME** To what extent does the business continuity function get involved with other risk related functions?

**TM** You may get involved in advance as part of the lifecycle, but not in terms of crisis management.

**ME** When does an incident become a crisis?

**TB** We almost lost access to everything in New York during Hurricane Sandy, but our P&L

that week than was healthier than projected in our forecasts. That's because we weren't waiting for the MTPOD or the RTO to kick in; we realised we were potentially in trouble and leapt into action. I think the value of doing the business impact analysis and being appropriately prepared is to be ready to activate your plans, as and when senior management want you to.

**PJ** From my perspective, I would say that in multi-channel delivery functions within a financial services organisation, business continuity management links everything together. To have a coherent strategy around interlinking parts is very important. If there are operational solutions to cover some of the technology which drives much of a business, then that is absolutely key. So if alternative delivery functions are not already embedded in their business, then risk managers need to start planning more and getting the buy in from their boards.

**TB** My focus is on the whole lifecycle rather than purely on crisis management. There are several benefits. The business impact analysis gives us an often unique bird's-eye view of the business which not many areas have, so we can see how the process flows. I have been in a number of

organisations where the first time the senior management have seen the way all their processes link together is the reports that we produce from the business impact analysis, which they love. They like business continuity management's support for client diligence as well. However, I also think we shouldn't be naïve. Business continuity planning is not often high up the corporate agenda. To try to reverse this, take a few things you have that are adding to the commercial line of the business and make the most of them, and when it comes to implementing, be quite ruthless. And you have absolutely got to understand the business you are in to understand all the cracks in the mortar where you can get in and stick those tendrils in terms of business continuity policy or anything else. Make sure business continuity planning is in the performance appraisals for business continuity coordinators, help to reward and publicise the good work they do and by all means try and sell business continuity planning as an enhancement for the business.

**CL** There is a lot of discussion within the industry about the inter-relation of business continuity management with crisis management and risk management and other disciplines. One

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practitioner will assert that business continuity relates to other risk-related functions in one way, and another vice-versa. And I think there is a general trend within the sector, through standards and industry bodies/networks, of trying to impose uniformity over exactly what business continuity management is and how it should be conducted. Whilst in some ways this can be useful, every organisation is different in culture and does things in different ways and so I think it is very important that business continuity practitioners have the initiative and confidence to understand their own businesses, cultures and requirements and shape their programmes/plans accordingly, rather than simply trying to rigidly apply the 'template'. Their focus should be entirely on delivering what suits their own organisation rather than being concerned whether their model looks like others'.

**TM** I also don't want to be the answer to all solutions. So, to those staff who do ask me for

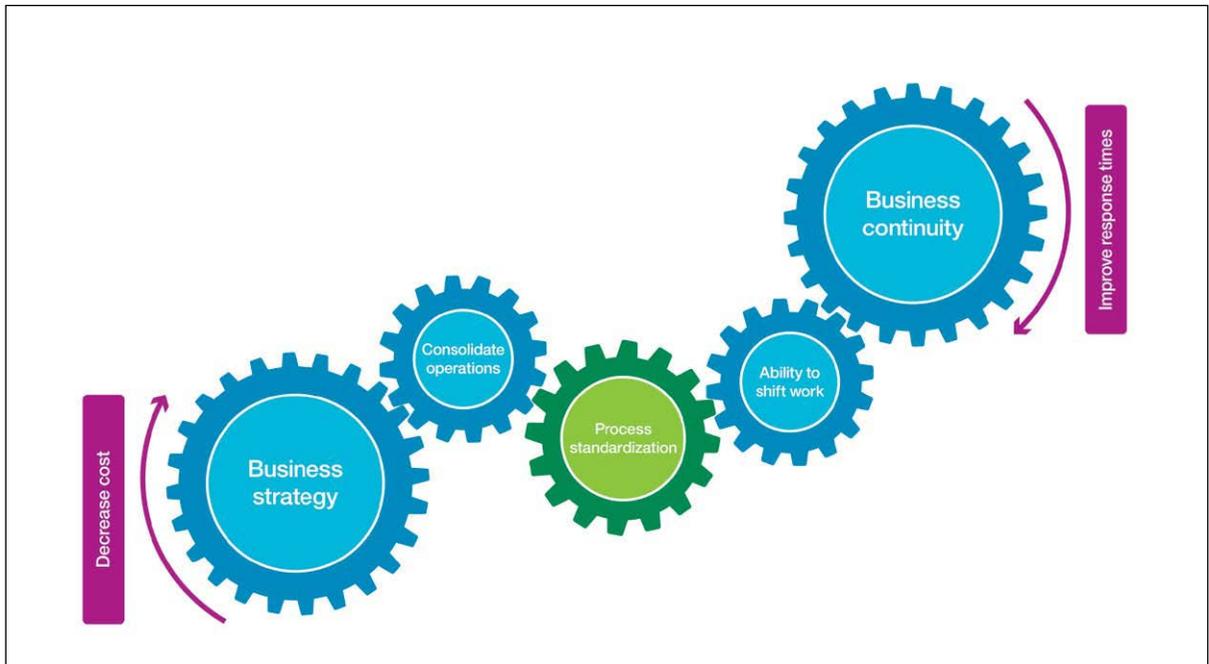
the answers to certain questions, I have to tell them to come up with the contingencies and explain that we will help provide the continuity if the contingencies fail. I'm on that precipice of not wanting to be the answer for everything, but wanting to help and be involved.

**AC** It is controversial but I think business continuity and crisis management, it is not the same thing but has to be joined. And I think most of the risks that people generally talk about, have always been there but that they are so much more heightened now. Client and customer expectation is immediate and with social media and other forms of communication media, all of those incidents that occurred, say, 10, 15 years ago were hidden or at least people didn't hear about it. But that's no longer the case. Expectations of service levels are different. Many years ago, if your telephone banking system was down you wouldn't have bat an eyelid. Today, if you rung up and said

**Drivers for business continuity management**

- The sophistication and speed of cyber risks are bringing business continuity management to the attention of the board – the high profile large scale events in particular
- Supply chain management
- Outsourcing
- Product approval
- Political risks and civil unrest
- Social media and subsequent reputational risks
- Regulatory risks
- Technology and disruptive technology
- Speed and volume of change

you can't get a balance, our systems are down, people immediately start a Twitter campaign. So the landscape is changing, and I think a lot of his has always been there, but I think business in





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crisis, business continuity in crisis management has to be together.

**MJ** My world is trying to design systems that don't fail in the first place. So at one extreme the whole concept of business continuity goes away. But the reality is that you can't afford to do that for everything. And this comes back to your 10 or 15 per cent of business critical services – you absolutely need to make sure that they are always there and design them accordingly. Beyond those, there will be others that you can afford to get back in three/four/six hours' time... So you need another mechanism for dealing with those less critical services.

The view of what is critical will undoubtedly change over time, and as your risk profile changes, you need to ask yourself what new and appropriate measures must be put in place to address them.

**MD** I'm struggling with the concept that effective or strong resilience could negate the need for recovery, which I can only see being possible in a completely risk free environment, something I don't believe we can really strive towards. On another note I very much feel

that analysis and facilitation are among our core skill sets as a job function, which is why we are being asked to put together plans to manage the likes of country and counterparty defaults, a process that other areas are unfamiliar with. People often struggle to react quickly or appropriately to certain events and sometimes lose a lot of money as a result. We are not the decision makers, but are able to facilitate crisis management arrangements to ensure a swift and effective response. I therefore believe it is crucial that we are involved in the appropriate manner to minimise the potential impact on the company.

**DM** Perhaps there is a limitation with our current understanding of what business continuity management planning is. I advocate that we need to evolve our thinking and dissect what value it has to offer whilst trying to support our growth strategy for a business. So irrespective of whether you are talking about enterprise risk, or whether you are looking at CRO, or CiSO or compliance lead or business continuity management, I think there is a unique opportunity here to help organisations with that. What I would like to advocate is a more

#### Impact on selling business continuity internally

- Business continuity has become easier to sell over the last few years. It is no longer the grudge purchase it once was
- Getting through to the C-suite is easier as a result, although it is not considered the 'be all'... yet!
- Understanding the business, and your part in it, is important if you want to elevate the business continuity function throughout
- Understand and agree upon what is the responsibility of the business continuity function, and what belongs to IT
- Try to foster an acceptance throughout the organisation that if the business continuity function is involved, there is something significant taking place that has brought this about

proactive approach to having a much more resilient posture rather than one-off recovery. The reason for this is the fact that the world has changed and in such a way that recovery is now the last option. And the reason recovery is now the last option, is because of the effect of reputation. Reputation is that much more impactful because of new forms of technology and the new ways in which we work. What I am advocating is closer alignment to the business and potentially using some of the core skills that are inherently there within business continuity management and have been for many years as a source of competitive advantage to help our business strategy moving forward. I think there is an opportunity to try to evolve this.



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<sup>1</sup> PECB, "ISO 22301 white paper: Societal security business continuity management systems," 2012, [www.pecb.org/iso22301](http://www.pecb.org/iso22301)

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