



BANKING, INSURANCE, AND CAPITAL MARKETS

BUSINESS CONTINUITY MANAGEMENT: EVALUATING PROGRAM EFFECTIVENESS

INTRODUCTION

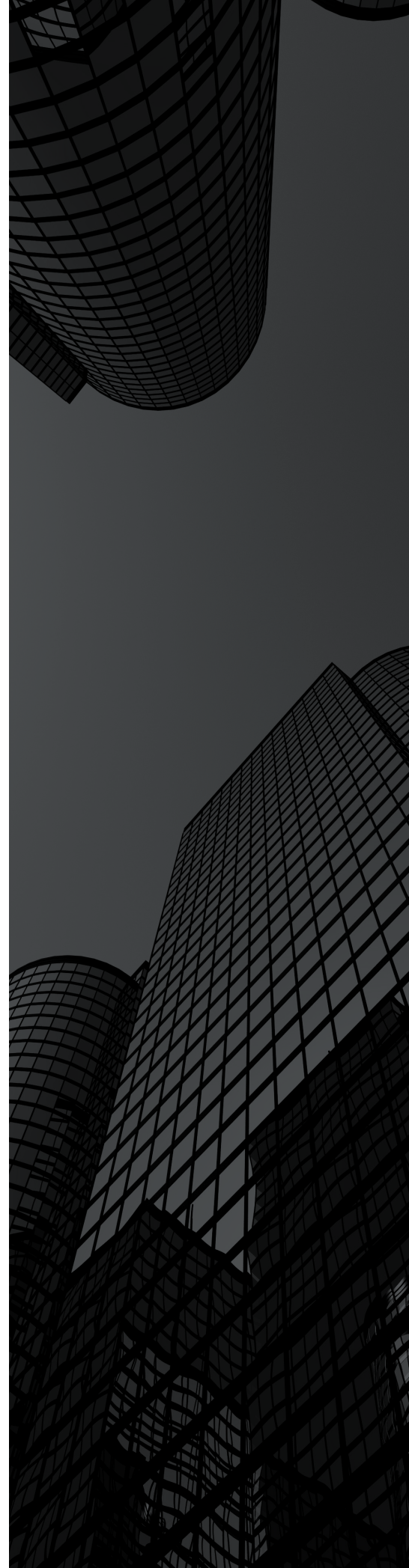
Business continuity management (BCM) is an integral control within a company's operational risk framework, one that requires meticulous planning and seamless execution. The impact that BCM has on a firm cannot be understated, as failure to manage the program properly can have damaging financial, reputational, regulatory, legal, and customer implications. According to a 2018 study, seven in 10 respondents (68.5%) noted they had an incomplete disaster recovery (DR) plan, and less than half of those surveyed (48.5%) had performed a DR test in 2017. "The percentage of businesses that suffered from a disaster recovery incident was essentially unchanged from those surveyed in 2016, and the lengths of those outages, and recovery completeness, was statistically the same. Even the percentage of businesses that felt very prepared to recover from a disaster barely tilted forward."¹ In 2014, 20% of surveyed businesses that suffered disruptions endured costs ranging from \$50,000 to over \$5 million.² The lack of progress since 2014, in general, across the financial services industry is shocking, considering the costs incurred when there are disruptions.

The threat landscape facing financial services firms is constantly changing. As such, a firm's BCM program must evolve to address not only traditional outages, but also modern threats occurring with greater frequency, such as cybersecurity breaches and interruptions to services and/or technology provided by critical vendors. It is imperative to have a robust BCM program in place, one that can mitigate today's threats with ease and precision.

Is your organization's BCM program ready to effectively handle both the most common and complex business continuity threats? This article provides financial services firms with two methods that Navigant Consulting, Inc. uses to assess the strength of BCM programs: 1) Personnel assessment and 2) Plan assessment. When used together, these assessments deliver senior management full insight into the maturity and health of a firm's BCM program. This valuable perspective can be used to identify weaknesses and ultimately enhance the BCM function, better safeguarding a company's assets.

1. "2018 Survey of Disaster Recovery Technologies, Implementations and Incidents," Evolve IP, 2018. <https://www.evolveip.net/lp/2018-draas-survey> plus correct url.

2. "The State of Global Disaster Recovery Preparedness: Annual Report 2014," Disaster Recovery Preparedness Council, February 2014. https://www.unitrends.com/wp-content/uploads/ANNUAL_REPORT-DRPBenchmark_Survey_Results_2014_report.pdf



BUSINESS CONTINUITY PERSONNEL ASSESSMENT

An institution's BCM program is only as strong as the people supporting it. Comprehensive BCM policy, governance, and framework will not ensure business continuity and resilience if the offices responsible for executing within the businesses are not appropriately staffed with capable personnel. When evaluating a BCM program, it is vitally important to analyze both quantitative and qualitative aspects of its personnel. The outcome of this evaluation will help drive decisions at a senior management level with respect to increased hiring or staff re-allocation and training for BCM personnel. Based on Navigant's experience, the following approach has a proven record of helping institutions.

Step 1. Quantitative Assessment

The evaluation of a BCM program starts by understanding the structure of personnel and determining whether the BCM teams are appropriately staffed. To achieve this understanding, conduct the following activities:

- Compile data to identify the number of BCM personnel allocated to each business. It is important to understand the difference between headcount and full-time equivalency for all BCM personnel; account for both metrics to fully understand the current staffing levels.
- Compile data to approximate the size and the complexity of each business. Use labor factors like number of essential employees, number of BCM plans, and the number of critical functions, applications, and third-party relationships as proxies.
- Analysis of the staffing levels against the labor factors can take several forms at this point, but ultimately, the methodology applied should enable comparisons across businesses.

The exercise will result in a better understanding of how businesses' BCM staff levels relate to their peers and industry-leading practices. Furthermore, this analysis is easily repeatable in the future to provide senior management a sense of the size and the complexity of the BCM program.

Step 2. Qualitative Assessment

Following the quantitative assessment, the evaluation of a BCM program shifts to understanding the qualifications of the current BCM personnel. This will lead to the identification of areas of strength and areas for improvement, which can be addressed through training opportunities and/or alternative staffing decisions.

- Distribute self-assessment surveys to BCM personnel identified in the earlier quantitative evaluation to determine the current level of their BCM qualifications.
- Focus questions on BCM-specific concepts and practices, business-specific skills and knowledge, firm-specific BCM requirements, and industry-specific topics.

The exercise will help businesses understand BCM-related strengths and weaknesses of their current staff. Further, once the methodology is developed and executed, businesses can easily repeat this exercise at senior management's discretion.

The combination of the quantitative and qualitative evaluations will result in the full picture of the state of BCM personnel at the company. This knowledge will either reassure senior management in their current BCM resource landscape or enable the identification and action of necessary changes to staffing, training, or both.

BUSINESS CONTINUITY PLAN ASSESSMENT

Much like business continuity personnel, business continuity plans require regular evaluation to ensure that they are well-designed to meet a firm's needs and the rapidly changing threat environment. It is of paramount importance that the proper plan elements are frequently examined using the appropriate methodology to assess both completeness and quality. The approach outlined below enables businesses to pinpoint weaknesses in their programs and develop tailored solutions that will allow the BCM program to operate effectively during a disruption.

Step 1. Plan Selection — A Risk-Based Approach

The first step of this quality review process, and perhaps the most important, is developing a methodology for selecting which BCM plans to examine. If the selection method is flawed, the business risks overlooking its most critical operations, limiting its chances of successfully navigating a disruption. Plans should be chosen based on how essential the functions they contain are to the business objectives of the firm, prioritizing above all else those operations deemed critical to the survival of the firm. The higher the percentage of reviewed plans that house critical functions, technology, and people, the more assured a firm can be that it will have what it needs should disaster strike.

Step 2. Scoring Methodology

Once an organization selects the proper BCM plans, it becomes critical to devise a scoring methodology that accurately evaluates the effectiveness of each plan. Give more weight to those aspects of a plan essential to continuing business operations (e.g., having effective solutions to combat disruptions) as compared to the more tactical areas (e.g., maintaining up-to-date employee cellphone numbers). The evaluator must scrutinize the critical plan elements. Developing a precise scoring framework is also important because it will help the firm compare plans once the review process is over and fosters greater transparency. Using the standardized methodology, the firm can confidently assess the entire population of plans using a common set of criteria.

Step 3. Regulatory Guidance

When evaluating business continuity plans for effectiveness, businesses should ensure that plans correspond to what is mandated in company standards, relevant regulations, industry guidelines, and the specific needs of the firm. For a firm to withstand a disruption, it must have detailed procedures in place that account for all critical functions, as well as the personnel and technology required to execute them. If even one piece of the formula is absent, it could be the difference between a firm emerging from the event unscathed, or sustaining severe financial, reputational, regulatory, legal, and customer damage.

Step 4. Assess the Program and Create Actionable Next Steps

Once you have identified the plans, documented the scoring methodology, and created the benchmark for comparison, it is time to assess the quality of the business continuity plans. Evaluators must be fair and impartial. When finished, compile the results, sharing the development and reporting of metrics to senior management. To further strengthen the BCM program, an independent organization can be used to perform the assessment. Regardless of who conducts the quality reviews, when the assessment is completed using the approach outlined above, the process of zeroing in on deficiencies is strengthened, and the next step for improving can begin.

BUSINESS CONTINUITY FRAMEWORK

As mentioned above, thorough personnel and plan assessments are vital to the success of a Business Continuity Management program. Additionally, however, there are several other components that each warrant a similar evaluation. Together, the following components make up the overall Business Continuity Governance Framework: 1) informed and competent personnel, 2) critical data plans and technological controls, 3) viable facilities for short- and long-term disruptions, 4) outlined disaster recovery functions/processes, 5) clear communication plans (with stakeholders, customers, vendors, and regulators), and 6) prepared third-party service providers that align with the BCM program.



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About Navigant

Navigant Consulting, Inc. (NYSE: NCI) is a specialized, global professional services firm that helps clients take control of their future. Navigant's professionals apply deep industry knowledge, substantive technical expertise, and an enterprising approach to help clients build, manage, and/or protect their business interests. With a focus on markets and clients facing transformational change and significant regulatory or legal pressures, the firm primarily serves clients in the healthcare, energy, and financial services industries. Across a range of advisory, consulting, outsourcing, and technology/analytics services, Navigant's practitioners bring sharp insight that pinpoints opportunities and delivers powerful results. More information about Navigant can be found at navigant.com.

HOW NAVIGANT CAN HELP

Navigant has substantial experience and expertise in assessing the state of a firm's business continuity management program. Navigant consultants take immediate action once engaged to develop an assessment based around the specifics of each firm. After completion, the team develops recommended solutions for those areas that the review has identified as vulnerable or requiring remediation. Whether it is enhancing disruption solutions, identifying key dependencies, or any other possible issues, Navigant ensures that best practices are implemented and the BCM program is operating efficiently and effectively. Navigant's independent review process can also be used to compare the maturity and effectiveness of the BCM across different groups within a decentralized or federated/hybrid model. Given the standardized scoring method, Navigant can assess each group's program with common metrics to understand their individual strengths and weaknesses. This allows Navigant to leverage the strengths of the most effective programs to develop customized and proven solutions for the less advanced programs.

The quality review process Navigant has developed enables the team of consultants to validate the strengths and identify weaknesses of a business continuity management program, and to personalize solutions that will enhance the program and meet regulatory requirements.

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