

Don't Let Business Disruption Disrupt Your Business



Management Consulting – Commercial Sector

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Driving Proactive Business Continuity Assessments and Execution

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. Yet according to a [recent business continuity study](#)¹, 27.2% of companies surveyed do not have a business continuity plan in place and are not currently developing one.

A firm's BCM program must be capable of evolving to address not only traditional issues, 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 — with the agility to address the unknown threats of tomorrow.

Companies should be asking themselves the following questions to determine whether BCM plans now in place are effective and comprehensive:

- What are the worst-case impacts to your organization and does your current plan address each of those scenarios?
- Is your communications plan agile enough to handle these scenarios?
- Are your third-party vendors prepared? How can you be certain?



This article provides financial services firms with insights into both the assessment and execution of a BCM program. In the assessment areas, Personnel Assessment and Plan Assessment are recommended to be used together before an incident to deliver senior management full insight into the maturity and health of a firm's BCM program. Additionally, the execution of a program leading up to and during an incident, can provide valuable lift to an organization while others may falter against real-world challenges and pressures.



Expecting the Unexpected

In a best-case scenario, business continuity will be an ongoing process within your organization, including feedback from internal and external parties, but all too often planning can be lost in the rush of competing priorities. Regardless of your organization's BCM maturity, now is the time to assess your status and ability to execute against your BCM program.

Two immediate questions to ask:

1. Do you know your current BCM status?
2. Are you ready to respond to a significant disruption?



1. Business Responses to the COVID-19 Outbreak: Survey Findings, Mercer LLC, February 2020.



Personnel Assessment

The BCM program will fail if the areas responsible for executing within the businesses are not appropriately staffed with capable personnel. When evaluating a BCM program, it is 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 reallocation and training for BCM personnel. Based on Guidehouse's experience, the following approach has a proven track record of helping institutions.

Step 1. Quantitative Assessment

The evaluation of a BCM program starts by understanding the structure of personnel. To achieve this understanding, do the following:

- Compile data to identify the number of BCM personnel allocated to each business. It is important to understand the difference between head count and full-time equivalency for all BCM personnel; account for both metrics in order 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.

As a result of the exercise, businesses will have a better understanding of how their BCM staff levels relate to their peers and industry-leading practices.

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 strengths 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 BC qualifications.
- Focus questions on BCM-specific concepts and practices, business-specific skills and knowledge, firm-specific BCM requirements, and industry-specific topics.

As a result of the exercise, businesses will 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.





Plan Assessment

Much like business continuity management personnel, BCM programs require regular evaluation to ensure that they are well-designed to meet a firm's needs. The approach outlined below enables businesses to pinpoint weaknesses 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 is developing a methodology for selecting which BCM plans to examine. Plans should be chosen based on how essential their functions are to the business objectives of the firm, prioritizing above all those operations deemed critical to the survival of the firm.

Step 2. Scoring Methodology

Once you select the proper BCM program, it becomes critical to devise a scoring methodology that accurately evaluates its effectiveness. 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).

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 example, the Federal Financial Institutions Examination Council's IT Examination Handbook on BCM was released in November 2019² and advises that BCM plans cover areas critical to the success of a business when facing a disruption. The plan should address these areas from the perspective of a variety of disruption scenarios (e.g., personnel unavailable and software and data corrupted). When evaluating a plan, the reviewer should ensure certain critical questions are answered:

Technology



Has critical data been identified? Have end-user requirements been considered?

Personnel



Have essential employees been identified? Are the responsibilities of the recovery team detailed?

Facilities



Are location, size, and capacity of relocation site viable for short- and long-term disruptions?

Communications



Have communications procedures been outlined for employees, vendors, etc.?

Vendors



Have vendor recovery plans been reviewed and tested for critical processes for which the vendor is responsible?

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 BCM plans. When finished, compile the results, allowing 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. When the assessment is completed using the approach outlined above, the process of zeroing in on deficiencies is strengthened and the next step for improvement can begin.

2. Federal Financial Institutions Examination Council Information Technology Examination Handbook: Business Continuity Management, November 2019.



Execution: An Incident Occurs — Putting the Plan to Work

We often hear from clients that primary drivers for business continuity management are external forces like pandemic risks, rating agency assessments, audits, and investor or regulatory inquiries. Regardless of the risk, it's most important to have an actionable plan in place that can be leveraged and documented.

Sophisticated shops are checking their Recovery Time Objectives (RTOs) and testing their mitigation techniques to recover. Additionally, they are looking at key risk dependencies in their staffing, and mapping personnel to critical processes. This is a necessary but time-consuming process. This process should be no different than typical Business Impact Analysis and process mapping to determine RTO in standard BCM planning. When BCM plans were initially drafted, specific incidents on the horizon were likely a distant concern that was addressed, but perhaps not given a true deep dive or accorded the focus that it should have in today's environment. Key preparation activities may include the following:

Stress testing remote capability by forcing remote work now, before it's too late.

- Test the technology.
- Test the ability to work outside of the office or other recovery options.
- Plan to do shift and 7-day work schedules if telework is not available to reduce interaction.

Cross-training employees.

- Map all critical process down to the people that do them.
- Understand licenses, certifications, unique skills, signature authority, trading authority, or any other attribute that would be lost if a certain employee or combination of employees are not available.
- Have staffing contingencies in place with third-party vendors or be prepared to shift staff from noncritical to critical processes.

Well-prepared senior leadership team.

- Team should stay updated daily with global, federal, state, and local events that can impact business. Internal communications process, authority to enact and execute Crisis Management Plans, and technology (automated texts or calls to employees) should be in place and tested.
- External Communications Plan should include appointed spokespersons who are authorized to talk to the media and communicate to employees about what they should and should not discuss with the media or post on social media. Have the CEO's prepared and approved remarks for many scenarios ahead of time (holding statements) to ensure a rapid response.
- Compile all legal reporting requirements in the event of a crisis.

Ask yourself: What is the worst thing that can happen to my organization from this incident? This answer will be unique to each company. Further, it will be unique to each department and function, right down to process and sub-process. Smaller, very lean companies will have a much more difficult time with this question, lacking the redundancy of a larger firm. If Janet from accounting is the only person who can complete payroll, you had better cross-train another employee quickly.

What about vendor resiliency for critical processes? Many companies rely heavily on third-party vendors. While internal business continuity standards may have appropriate rigor and discipline, many times the vendors are overlooked or assumed to have the same standards. Companies should approach vendor governance and business continuity as they would approach their own business units. Have a roster of all third-party vendors and map critical processes to each. Finally, have a candid discussion with vendors to allow them to explain and prove the resiliency of their recovery strategies and processes. From these discussions, teams will understand any problems and work to solve them.

Many recovery and continuity plans call for working remotely, which may not always be possible. "Remote" to many people means "work from home," this need not be the case. Alternative locations can be used to perform essential functions. Estimating how long backup locations will be needed is essential in planning the assets, technology, travel, people, size, security, and cost that will be needed to keep operations going.

Ready to Respond



Guidehouse's preparedness checklist

Our consulting experience has shown that companies with a well-documented and communicated response plan are more resilient and better able to respond when a disruptive event occurs. Here is a preparedness checklist that helps define key functions and considerations in a comprehensive and effective plan.



Know Your Resources

At any point, the BCM team should have a strong understanding of resources, including:

- Documentation (policies, procedures, and standards).
- Key BC personnel.
- Critical processes and related employees.

1



Monitor

Complete daily monitoring of potential business impacts to your environment:

- Health advisories.
- Weather (upcoming or recent).
- Location-specific events.
- Information technology/ security trends.

2



Pre-Planning

Often, potential incidents such as a pandemic, hurricane, or malware attack can be prepared for ahead of time. Steps include:

- Engage stakeholders.
- Review HR policies.
- Review IT support.
- Check with vendors.
- Ensure facility preparedness.
- Communicate to your employees that monitoring is ongoing.
- Refresh employee monitoring processes and procedures and ensure employees understand their responsibility to inform management of their location.

3



Incident Response

Several factors can save valuable time:

- Concise communications
 - Internal — Using technology to communicate with employees is essential. Having the ability to send mass text alerts or phone messages helps ensure a singular universal communication and prevent rumors and panic.
 - External — Plans should include appointed spokespersons who are authorized to talk to the media and communicate to employees what they should and should not discuss with members of the media or post on social media. Have the CEO's prepared and approved remarks for many scenarios ahead of time (these are called holding statements) to ensure a rapid response.
- Quick decision-making — An executive- or senior-level team should be empowered to handle problems when they arise. The team must have the authority to enact plans, including travel restrictions, closing offices, sending communications, and securing additional resources. The team must have the agility and flexibility to alter plans and change course when needed. Thorough monitoring to evaluate the current state is key.
- Engage with a third-party vendor to shore up resources where needed.
- The finance team should take the lead in tracking the impact of an incident on the business. Many incidents that are significant enough to trigger the use of recovery plans may result in lost business that can be recovered under the company's insurance policies. There are many tasks to undertake to track this information, which will need to be tailored to each specific business. Employees will need communication and direction on the new tracking process. Processes can differ by people, time or business loss, current losses, in addition to forecasting potential future loss. Instituting a new charge code for billing, time, expenses, etc., is just one way of tracking cost.

4



Recovery

Once an incident is under control, it's not easy returning to business as usual (BAU):

- Understand outside factors so the decision to return to BAU will not need to be reversed.
- Deploy additional controls and checks on BAU processes to ensure they work as desired.
- Perform a post-mortem on decisions made during the event. If normal controls or segregation of duties were adjusted, an audit can ensure nefarious behavior did not occur and spot any mistakes made.

5



Post-Incident Review

Weigh the results of an incident response and recovery against the initial plan. What worked? What didn't? This should be documented to support future BCM program enhancements and third-party reviews of program effectiveness.

6



Conclusion

Guidehouse understands that potential volatility can challenge an organization's resiliency and expose gaps in its coverage. Guidehouse has unique insight into how top companies around the world address the most difficult challenges and come up with creative new solutions. We are committed to helping organizations prepare for and respond to these issues.



Case Study

Guidehouse was engaged to provide support to build a comprehensive Business Continuity Management program and develop a maintenance program for our client. This project included developing policies and procedures, centralizing communications via a telephone hotline and email, evaluating business processes, developing BCM plans for over 50 subprocesses, and performing other key activities to prepare the company for known and unknown risks.

Once the program was prepared, the Guidehouse team provided ongoing support, including:

- Incident response support as BC Lead.
- Daily monitoring of potential/ongoing incidents and coordination of communications.
- Subject matter expertise and advisory services.
- Ongoing tracking of the program and delivery of results for third-party reviews.



How Guidehouse Can Help

Despite the very best planning, Guidehouse understands that potential volatility can challenge an organization's resiliency and expose gaps in coverage. By being on the front lines of business resiliency, Guidehouse has unique insight into how top companies from around the world are addressing the most difficult challenges and coming up with creative solutions which have previously not been contemplated. We are committed to exploring options that will not only help organizations prepare for these issues but improve resiliency in responding to them.

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