

# Continuity needs joining up



MARTIN CADDICK AND MALCOLM CORNISH QUESTION WHETHER BUSINESS CONTINUITY MANAGEMENT DELIVERS WHAT YOU WERE EXPECTING.

Typically, top management thinks of business continuity management (BCM) in terms of outcomes, such as plans, procedures and exercises, and does not understand the need for a management system that will ensure BCM is implemented and maintained in a manner appropriate to the needs of the business. This lack of understanding makes it difficult to appreciate good work that has already been undertaken and recognise weaknesses and inconsistencies that need to be rectified.

A clear requirement is to establish a corporate or global business continuity programme that will deal with a variety of challenges, such as justifying continued expenditure on BCM, understanding what to do next in complex environments, understanding risk across the supply chain, finding cost-effective ways of implementing BCM, maintaining consistency, and protecting the investment in BCM.

We are convinced that BCM is constantly evolving. To cope with the changes, top management and BCM planners need to be very clear about where they are heading and have frameworks that will help them reach their goals year on year. Without this understanding, the cost of implementing BCM becomes unacceptable and the very risks that BCM needs to address are unmanaged.

**THE CURRENT SITUATION** Most business continuity plans take a bottom-up, site-oriented approach, which has left a number of issues:

- The quality and approach of the different plans vary across an organisation, giving rise to inconsistency and inefficiency;
- It is difficult to assess at a corporate or divisional level the true state of site preparedness; and
- There is rarely a corporate view of entire business processes, so risks and impacts are not identified and inappropriate risk management strategies are selected.

## FUTURE REQUIREMENTS

**Effective programme management** The immediate requirement is for large organisations to establish an effective business continuity and governance model. Effectively designed and implemented, this model helps organisations manage the complexity of their business continuity programme.

A key requirement is to define targets of increasing maturity, based on a rising standard of preparedness. The targets need to be matched to a clear definition of what is required to achieve the required standard, together with the associated measurements. The metrics must be in terms that top management can relate to. In the lower levels of maturity, it is sufficient to deal with business continuity at a site level. But at higher levels, a more holistic view is necessary.

**Broader understanding of business process and risk** Many organisations have conducted business impact assessments to

## Executive summary

- Business continuity management (BCM) is a significant management issue and a critical component of effective risk management. Most organisations have taken steps to implement BCM in some shape or form but few can claim to have implemented it consistently and effectively.

identify their most critical business activities. In most cases, the assessment has been conducted at the activity level to capture the operating requirements of each activity within a given function. Such an approach typically fails to view a business process as a whole and therefore does not identify the relevance and importance of outsourced operations.

The remedy is to engage top managers in the business impact assessment to take full advantage of their knowledge and understanding, identify the key risks to business processes and the highest risk points in each process, corroborate impact assessments undertaken at activity level, and set high-level strategies for the recovery (or non-recovery!) of business processes. Such an approach engages top operations management, helps to provide guidance to business continuity planners, and ensures the correct prioritisation of activity and investment.

One of the key outcomes is that businesses are able to reduce the risk of disruption, not just the impact. It also promotes a broader view of risk and uncovers risk avoidance and risk transfer options as well as traditional business recovery options.

**More accurate quantification of risk and impact** The focus of operational management over the last 10 years has been to improve competitiveness through globalisation and by taking cost out of the business. This has introduced many new risks and potential impact points that remain poorly understood and are largely unmanaged.

The information that comes from the high-level business impact assessment should be used to drive more relevant investment decisions and more accurate quantification of risk and impact. The skills and techniques for this are already tried and tested in the insurance world, and should be applied to business processes.

Many enterprise risk management projects use quantification techniques, although these are often undertaken at a high level, using general assumptions. We expect that the techniques will be increasingly applied at a divisional level against key business processes using more specific assumptions and that this will provide valuable information to operations management.

From an insurance angle, the results of the business impact assessment can also be used to reassess business interruption insurance requirements. Too many businesses pay too much for their

business interruption cover, which is based on worst case scenarios and high-level adverse assumptions simply because there is no better information available.

Conversely, too many businesses believe that their cover will protect them from a wide range of losses such as reputation loss. The irony is that some businesses are paying more than they should for less cover than they need.

**Integrated risk management** As BCM moves into the realms of quantifying risk across supply chains and business processes, it is also moving into the wider world of risk management.

Most organisations have a fragmented approach to risk management where insurance managers within finance manage the insurable risk, the financial risk is managed by the treasury function, the strategic risk is managed (or not) by the board, the operational risk is managed by divisional management, and business continuity is left to a variety of functions (such as IT, facilities, human resources and group assurance). This fragmentation not only manages risk inefficiently, but also leaves many risks unmanaged. A more integrated approach to risk management is required.

**UNDERSTANDING THE FUTURE FOR BCM**

Figure 1 maps the focus of BCM against a lifecycle curve. More thoughtful businesses are starting to implement effective programmes and uncovering the need for a more strategic view of risk and impact to key processes. We anticipate businesses will not only wish to embed effective risk management in their organisations, but also putting in place more integrated risk management functions.

**Critical success factors** A successful and effective global business continuity programme will be predicated on a number of factors:

- Gaining whole-hearted commitment from senior management as well as from everyone within the business who is expected to contribute but who has a full-time day job.
- Effectively and efficiently leveraging work already undertaken.
- Ensuring that the BCM activities are appropriate to the different elements within the organisation's operating model and will all

build toward the common objective. This will ensure that decisions made at the group, division or brand level must be communicated to the operational locations.

- Making sure that employees understand the importance and relevance of BCM to their jobs. They will then clearly understand what is expected of them and why they are being asked to undertake activities that may be outside their comfort zones.
- Ensuring that the burden of work does not fall entirely on the shoulders of a centralised business continuity manager and that all those involved have realistic and achievable incremental targets and can register their contribution efficiently and effectively.
- Establishing a management system that drives continuous improvement to ensure that BCM remains effective and relevant.

It takes planning and preparation to build up and roll out an effective global business continuity programme. It will take a good few years to bring all elements of the business in line with stated objectives.

**SUGGESTED APPROACH** The process set out in Figure 2 is an effective method of establishing and executing a business continuity programme based upon a maturity model approach. There are many ways to develop a business continuity programme. It is rare for an organisation to have to start from scratch. Practically all businesses have some form of IT disaster recovery plan. Invariably, at least one area of the business has gone one step further and recognised the need for resiliency or business recovery capability.

Corporate head office needs to identify and assess these starting points and start work on developing a BCM capability that is joined up and effective across the organisation. The trick is to leverage the work and expertise that already exists in the business and guide it into a framework that will support a group capability.

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