Outsourcing continuity facilities

Dave Dignam, of Synstar plc discusses the issues involved in choosing between an in-house dedicated recovery facility or outsourcing to a specialist BC provider.

The decision of whether to outsource continuity facilities or to develop an in-house dedicated facility is principally one of cost versus risk. Inevitably any dedicated service will cost substantially more to develop and manage when considering the fast changing nature of supporting technology.

Broadly speaking, dedicated facilities are usually only seriously considered by organisations operating in the financial arena, as their quantifiable intra-day risk exposure is relatively easy to define compared with other business sectors. Many large corporates in other sectors may indeed be exposed to high impacts but these are more likely to be related to protection of market share and longer-term brand investment issues.

The non-financial sector also has the luxury of less regulatory pressure that may otherwise influence this decision, although these decisions may be affected by the acceptance by the London Stock Exchange of the Turnbull Report (as manifested in the recently released modified combined code.)

Going it alone

The decision to create a exclusive facility ensures complete security and in essence virtually ensures the continuation of business, and hence the survival of the institution in the event of a disaster. This approach will offer an organisation fairly seamless crisis management as the facility will provide an almost precise mirror of all trading, risk-management, position keeping and settlement and back office functions. Physical and corporate security is thus guaranteed.

Taking on the task of creating a dedicated facility is not one to be entered into lightly, as developing a business continuity strategy (BCS) in this respect requires an implicit understanding of the diverse nature of the financial markets functions. Many organisations choose to buy-in consultancy for the development of such as plan.

> Customers need to be sure that the supplier's facilities are being subscribed in an accountable fashion and that appropriate exclusion policies and syndication guarantees are offered

This mix works well, as the in-house BCS team (not always made up of BCS experts) can benefit from utilising standard procedures from the BCS industry, which are proven in risk reduction from many real incidents.

There are of course many pitfalls in choosing a dedicated facility with cost being the major issue. An organisation will need to factor in the full cost of additional building fees, and duplicate IT equipment, thus creating a need to significantly increase the IT budget. Bearing in mind that IT equipment changes and is upgraded on a fairly regular basis, this must also be mirrored in the recovery facility, thus making older equipment redundant very quickly.

This large investment does not contribute directly to the core business of the institution, although sometimes technical performance benefits can arise through distributed architectures.

Another major consideration especially for the ever-consolidating financial market, is that should a company

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Things to consider when choosing a business continuity supplier

- Always pay careful consideration to subscription syndication ratios, especially if your institution is located within the City of London. It is recommended that ratios should not exceed a maximum of 15:1.
- Check exclusion zones issues. Directly linked to subscription ratios strict exclusion zones should be enforced by your supplier. For example no-one within 0.5km of your offices should be subscribed to the same space that you would use in the event of a disaster.
- Check the compensation clause. In the event of a failed recovery how much liability is your BCS provider covered for?
- Check your insurance policy. It may be that a discount can be negotiated if you have a recovery plan in place.
- In the unfortunate circumstance that key staff are injured due to a disaster with your business, is your BCS provider able to provide technical assistance to help with the crisis? ■

suddenly grow, through merger or even by entering a new market, then the continuity facility may become insufficient to meet the needs of the business. Simply put, a dedicated facility does not offer a flexible, cost-efficient solution.

The syndicated centre

The flip side of the coin is that of opting for a syndicated facility provided by a third party supplier where all the costs are shared amongst a larger user base.

Unlike the dedicated centre, costs of hardware, information feeds (for financial organisations) telephony and even external communication lines can be distributed among a number of clients on a flexible pre-agreed ratio basis. The facility itself is run by the BCS provider and such it will absorb all associated upkeep costs for the building.

All syndicated equipment is regularly maintained and upgraded by the BC provider.

Syndication ratios can be negotiated in order to manage risk versus cost. For example, a partly dedicated facility, ie a 1:1 ratio with the remainder of non-mission critical functions syndicated at a ratio of say 5:1 or 15:1.

A BCS plan is not a plan unless it is tested regularly and is proven to work. Synstar customers are encouraged to test regularly and this service, the facility and the technical resource is included within their contract fee.

And, should the company size suddenly change, the number of seats on contract can be increased or decreased as necessary.

However, the underlying disadvantage is the increase in risk associated in subscribing to a shared/syndicated facility. Potential customers need to be sure that the supplier's facilities are being subscribed in an accountable fashion and that appropriate exclusion policies and syndication guarantees are offered. From marketing collateral it would appear that most offerings are similar, however, their terms and conditions and internal procedures may vary dramatically. Issues such as invocation guarantees within certain postcodes, invocation charges, daily usage fees and limitation of liabilities should be explored when considering these services. ■

How much support?

In 1999, MTV's London tape library and production centre were seriously damaged in a fire. MTV had planned to rely on its own computing resources in the event of a crisis, and its contract provided only for access to desks, chairs and telephones at the appointed business recovery centre. But it was not enough. MTV's production staff urgently needed a stable base which was fully equipped.

MTV were able to rely on a key element in choosing a business continuity or disaster recovery provider, namely the ability to be flexible. "As we picked over the charred and smoke-damaged facility we soon realised that we would need a lot of extra support," explains Bernard Kelly, MTV's then chief financial officer. "We needed almost 200 PCs with connections to our network and email. We needed a full replacement switchboard facility for the relocated staff and a powerful Sun server on which to run the scheduling system that feeds our automatic transmission system – a mission critical application for us." Satellite feeds on the roof, TVs in almost every corner, and a burger bar in the car park were all added to the facility within a week. It would be six full weeks before the last MTV staff member left.

MTV have learned their lesson and ensured they have an extended, more comprehensive disaster recovery plan which is regularly tested. The new recovery plan means that they would be able to achieve in 24 hours what had taken several days during the 1999 disaster. ■

Dave Dignam, Business Development Director for Business Continuity at Synstar International, the pan-European provider of Business Availability, discusses the issues that face organisations when making the decision whether to choose an in-house dedicated recovery facility versus outsourcing to a specialist BC provider.

Synstar International has produced a Director's guide to Business Continuity in conjunction with the Institute of Directors. It highlights the issues that face all quoted companies in light of the Turnbull Report and subsequent combined code. It offers practical solutions and advice to everyone considering their risk strategies. It can be viewed at www.synstar.com/iod/ or the guide can be obtained directly from Synstar.

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