



**INSURANCE AND
INVESTMENT MANAGEMENT**

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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.

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 the IT Disaster Recovery Preparedness Council, formed by business, government and academic leaders, 3 out of 4 companies are not prepared for a disruption to business. This is a striking statistic, given that 20% of surveyed businesses that suffered disruptions in 2014 endured costs ranging from \$50,000 to over \$5 million.

The threat landscape facing financial services firms is constantly changing. As such, a firm's BCM Program must be capable of evolving 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 uses to assess the strength of Business Continuity Management Programs: Personnel Assessment and 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.

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 BC personnel. Based on Navigant'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 and determining whether the BC teams are appropriately staffed. To achieve this understanding, conduct the following activities:

- Compile data to identify the number of BC personnel allocated to each business. It is important to understand the difference between headcount and full-time equivalency for all BC 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 BC 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 BC 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 for 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 BC 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 BC personnel identified in the earlier quantitative evaluation to determine the current level of their BC qualifications.
- Focus questions on BC-specific concepts and practices, business-specific skills and knowledge, firm-specific BC requirements, and industry-specific topics.

As a result of the exercise, businesses will understand BC-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 BC personnel at the company. This knowledge will either reassure senior management in their current BC 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. 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 BC 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 you select the proper BC 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 cell phone numbers). The evaluator must carefully 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. In order 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.

- A. The FFIEC BCP Handbook² advises that business continuity plans cover a number of areas critical to the success of a business when facing a disruption. The most essential topics according to the FFIEC include personnel, technology, facilities and communications. The plan should address these areas from the perspective of a variety of disruption scenarios (e.g. personnel unavailable, software and data corrupted, etc.) so as to accommodate all potential threats. When evaluating a plan, the reviewer should ensure certain critical questions are answered, including:

Personnel

- Have essential employees been identified?
- Are the responsibilities of the recovery team detailed?
- What is the decision making process?
- Have employees been properly trained?

Technology

- Has critical data been identified?
- Are back-up methods/schedules sufficient?
- Have end-user requirements been taken into account?

Facilities

- Are location, size and capacity of relocation site viable for short- and long-term disruptions?
- Have relocation logistics been outlined?
- Do employees have what they require to perform work (e.g. computer, phone, etc.)?
- Has the site been inspected and/or tested recently?

Communications

- Have communications procedures been outlined for the following parties:
 - Employees?
 - Emergency personnel?
 - Regulators?
 - Vendors?
 - Customers?
- B. ISO 22301³ suggests coverage for many of the same areas as the FFIEC guidance. This document looks at the planning process from an event perspective, outlining key topics in sequential order and focusing on how to manage a disruption. ISO 22301 recommends that plans contain the following elements in order to successfully navigate a business disruption:
- Roles and responsibilities of the recovery team
 - Standard process for initiating the plan, including managing immediate issues
 - How the business will communicate with employees
 - Processes for recovering critical functions, including accepted timeframes
 - Process for returning the business to normal operations

You must account for each of these plan components in order for the plan to be considered complete. These roles and processes work together to form an effective response to most potential threats.

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, 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. 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.

1. The State of Global Disaster Recovery Preparedness: Annual Report 2014, Disaster Recovery Preparedness Council, February 2014

2. Federal Financial Institutions Examination Council Guidance: Business Continuity Planning IT Examination Handbook (FFIEC), February 2015

3. International Organization for Standardization 22301:2012 (ISO 22301) Societal security – Business continuity management systems – Requirements, May 2012

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 business continuity Programs 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.

