

Business continuity and crisis management

No organisation can have complete control over its business environment. It is therefore essential for companies to have a business continuity management (BCM) and crisis management capability, in case of crisis or disaster. **Dr David Smith** outlines various approaches that can help companies prepare for a business continuity 'event', and explains the BCM life cycle.

In August 2002, the Financial Services Authority (FSA) expressed deep concern over the high percentage of its members who did not have a business continuity and/or crisis management capability.¹ They emphasised that a robust, effective and fit-for-purpose preparedness is essential, and complacency is unacceptable, in the face of the challenges and threats that inevitably arise in today's business climate. This warning is reinforced by the recently published research report of the Chartered Management Institute.²

Business continuity management (BCM) is defined by the Business Continuity Institute (BCI) as 'an holistic management process that identifies potential impacts that threaten an organisation and provides a framework for building resilience and the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value creating activities'.

The BCI's use of the term 'business continuity management' rather than 'business continuity planning' is deliberate because 'planning' implies there is a start and end to the process and can lead to unwanted planning bureaucracy. BCM is, by necessity, a dynamic, proactive and ongoing process. It must be kept up-to-date and fit-for-purpose to be effective.

The key objectives of an effective BCM strategy should be to:

- ensure the safety of staff;
- maximise the defence of the organisation's reputation and brand image;
- minimise the impact of business continuity events (including crises) on customers/clients;

- limit/prevent impact beyond the organisation;
- demonstrate effective and efficient governance to the media, markets and stakeholders;
- protect the organisation's assets; and
- meet insurance, legal and regulatory requirements.

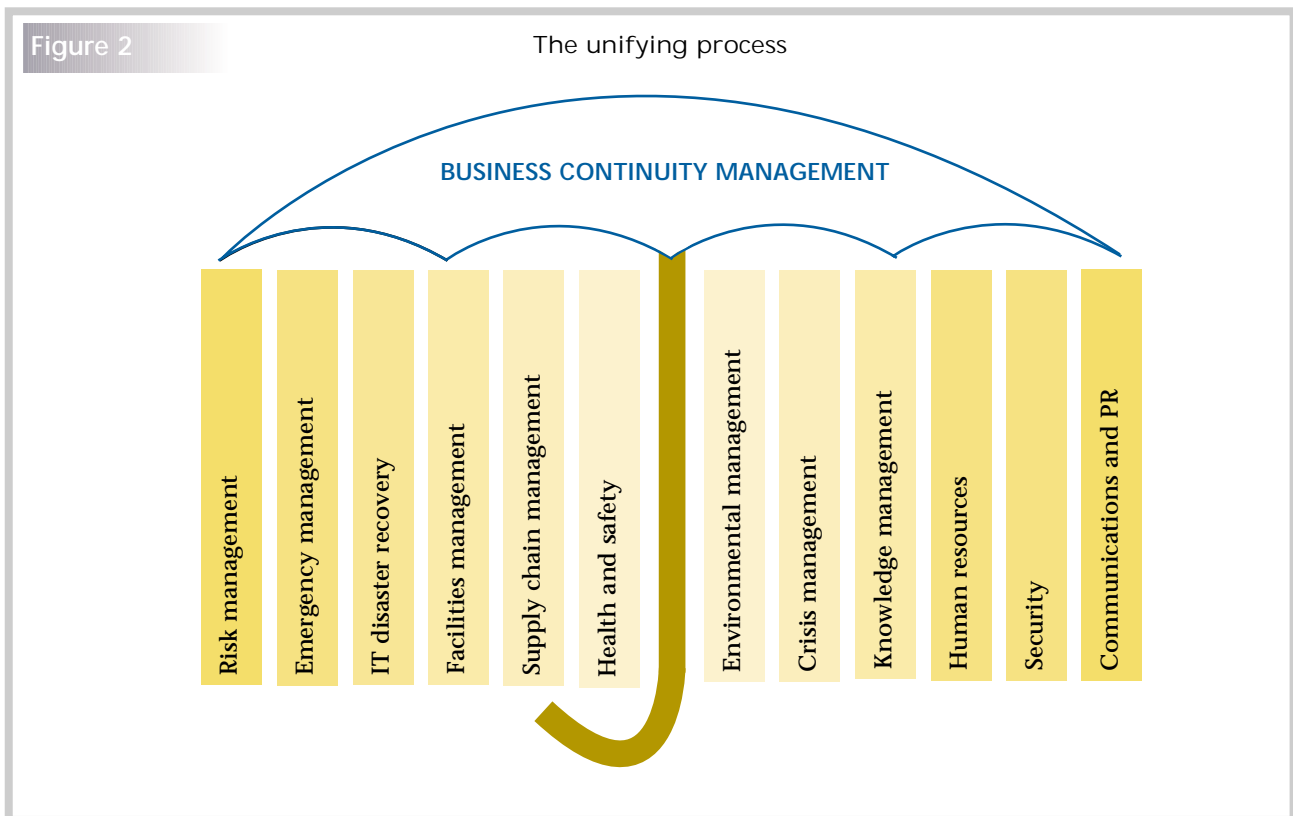
However, BCM is not only about disaster recovery. It should be a business-owned and driven process that unifies a broad spectrum of management disciplines (see Figure 1 on page 28). In particular, it is not just about IT disaster recovery. Too many organisations tend to focus all their efforts on IT because of its mission-critical nature, leaving themselves exposed on many other fronts.

Because of its all-embracing nature, the way BCM is carried out will inevitably be dependent upon, and must reflect, the nature, scale and complexity of an organisation's risk profile, risk appetite and the environment in which it operates. Inevitably, too, BCM has close links to risk management and corporate governance strategies. The importance of a holistic approach across these areas was reinforced in the Turnbull Report (1998)

As an organisation can never be fully in control of its business environment, it is safe to assume that all organisations will face a business continuity event at some point.

Although this simple reality has been etched in high-profile names such as Bhopal, Piper-Alpha, Perrier, Barings Bank, Challenger, Herald of Free Enterprise, Coca Cola, Exxon-Valdez, Railtrack, the Canary Wharf bombing, Enron, Anderson, Marconi, Landrover and the World Trade Centre, experience also teaches that it is the less dramatic but more

Most organisations face a business continuity 'event' at some point



frequent business continuity events that can be even more problematic to deal with. Unfortunately, it seems that many public and private organisations still think, 'it will not happen to us'.

Changing the corporate culture

Ignoring business continuity issues can happen for a number of reasons, ranging from denial through disavowal to rationalisation. A process of 'group think' can develop whereby an organisation genuinely starts to believe that their size, or some other feature, makes them immune to disaster. Or executives may firmly believe that insurance will cover them, without realising that insurance cannot indemnify against lost market share, loss of reputation or tarnished brands.

Research shows that crisis-prone organisations tend to exhibit these tendencies seven times more often than crisis-prepared organisations.³ Whilst all individuals may make use of such defence mechanisms from time-to-time, the key difference is the degree, extent and frequency with which they are used.

Changing such mindsets is not easy, and

blindly implementing so-called 'best practice' business continuity techniques is not the best approach. As all organisations are different, techniques which work in one organisation will not necessarily work in another. Most executives tasked with addressing business continuity issues are keen to achieve quick wins, and the 'tick box' audit approach, which tries to copy successful strategies used elsewhere, is often adopted without consideration as to suitability.

Underlying the 'tick box' approach is the persuasive belief that a structure, policy, framework and plan is all that is required. Whilst these are critical enablers, relying on structure alone tends to overlook the key issue – that it is people who actually deal with business continuity and crises.

In this context, it is worth remembering (and reminding all senior executives) that 'managerial ignorance' is no longer an acceptable legal or moral defence if a crisis is handled badly. All managers should consider the following key questions that are likely to be asked in a subsequent inquiry:

- when did you know there was a problem?
- what did you do about it?
- if you didn't do anything, why not?

Many organisations believe it will not happen to them.

- if you didn't know there was a problem, why not?
- what would you have done if you had known such a problem could exist?

Avoiding planning bureaucracy

There is no doubt that some sort of business continuity plan is essential. The plan becomes a source of reference at the time of a business continuity event or crisis, and the blueprint upon which the strategy and tactics of dealing with the event/crisis are designed. In particular, it can provide essential guidance on damage limitation in those short windows of opportunity which often occur at the beginning of a crisis.

Unfortunately, reputations and trust that have been built up over decades can be destroyed within minutes unless vigorously defended at a time when the speed and scale of events can overwhelm the normal operational and management systems.

A further and critical reason for having a planning process is so that the individuals who are required to implement the plan can rehearse and test what they might do in different situations. Scenario planning exercises are a very helpful technique for destruct-testing different strategies and plans.

Having said this, it is simply not possible to plan for every eventuality, and if you try to, there is a great danger of creating 'emergency' manuals that are simply too heavy to lift. A trade-off needs to be achieved between creating an effective fit-for-purpose capability and relying on untrained and untried individuals and hoping they will cope in an emergency.

The spanning of the gap between the plan and those who carry it out can be achieved by either formal tuition and/or simulations. The well-known maxim that a team is only as strong as its weakest link is worth remembering here.

The exercising of plans, rehearsing of team members and testing of solutions, systems and facilities are the elements that provide and prove an effective and fit-for-purpose capability. However, simulations are not easy to devise, and because of this, many organisations do not venture beyond the development of a plan. They are, nevertheless the best way to avoid planning bureaucracy.

Using good practice guidelines – a different approach

Because of the caveats listed earlier, the BCI's 'Business continuity management good practice guidelines' are not intended to be a restrictive, exhaustive or definitive process to cover every eventuality within BCM. Instead, they set out to establish the generic process, principles and terminology; describe the activities and outcomes involved; and provide evaluation techniques and criteria.

These guidelines draw together the collective experience, knowledge and expertise of many leading professional members and fellows of the BCI and other authoritative professional organisations. In particular, the guidelines reflect the following BCM principles:

- BCM and crisis management are an integral part of corporate governance;
- BCM activities must match, focus upon and directly support the business strategy and goals of the organisation;
- BCM must provide organisational resilience to optimise product and service availability;
- as a value based management process BCM must optimise cost efficiencies;
- BCM is a business management process that is undertaken because it adds value rather than because of governance or regulatory considerations;
- the component parts of an organisation own their business risk; the management of the business risk is based upon their individual and aggregated organisational risk appetite;
- the organisation and its component parts must be accountable and responsible for maintaining an effective, up-to-date and fit-for-purpose BCM competence and capability;
- all BCM strategies, plans and solutions must be business owned and driven;
- all BCM strategies, plans and solutions must be based upon the business mission critical activities, their dependencies and single points of failure identified by a business impact analysis;
- all business impact analysis must be conducted in respect of business products and services in an end-to-end production context;
- there must be an agreed and published organisation policy, strategy, framework and exercising guidelines for BCM and crisis management;
- the organisation and its component parts must implement and maintain a robust

Some sort of continuity plan is essential

Scenario planning exercises are helpful in destruct-testing strategies and plans

The BCM life cycle has been created as an interactive process tool

- exercising, rehearsal and testing programme to ensure that the business continuity capability is effective, up-to-date and fit-for-purpose;
- the relevant legal and regulatory requirements for BCM must be clearly defined and understood before undertaking a BCM programme;
- the organisation and its component parts must recognise and acknowledge that reputation, brand image, market share and shareholder value risk cannot be transferred or removed by internal sourcing and/or outsourcing;
- BCM implications must be considered at all stages of the development of new business operations, products, services and organisational infrastructure projects;
- BCM implications must be considered as an essential part of the business change management process;
- the competency of BCM practitioners should be based and benchmarked against the 10 professional competency standards of the BCI;
- all third parties including joint venture companies and service providers, upon whom an organisation is critically dependent for the provision of products, services, support or data, must be required to demonstrate an effective, proven and fit-for-purpose BCM capability; and
- the standard terms and conditions of any

outsourced and/or internal sourcing of products, services, support or data should reflect these good practice guidelines.

The structure and format of the guidelines is based upon the most frequently asked questions in relation to BCM, which are listed in Figure 2 (below).

The BCM life cycle

The BCI principles and frequently asked questions have been drawn together to create the BCM life cycle (see Figure 3, opposite), an interactive process tool to guide the implementation of an effective BCM process. The six stages of the life cycle in more detail are set out in Figure 4 (opposite).

The guidelines have been used to generate a tool for evaluating the BCM process, which takes the form of a spreadsheet current state assessment (benchmark) workbook (see Figure 5, on page 32). The workbook enables and facilitates good practice compliance evaluation, current state assessment gap analysis, assurance and benchmarking (process and performance).

Each organisation needs to assess how to apply the 'good practice', contained within the guidelines, to their own organisation. They must ensure that their BCM competence and capability meets the nature, scale and complexity of their business, and reflects their individual culture and operating environment.

Crisis management

The key elements of a crisis management framework are slightly different to the BCM lifecycle, and include those set out in Figure 6 (page 32), but the list should not be seen as restrictive or exhaustive. There are many advantages to adopting a modular approach to a crisis or business continuity situation, not least that it can be easily and quickly modified to suit local, national as well as global requirements.

However, in managing any event it is critical to recognise that a successful outcome is judged by both the technical response, and the perceived competence and capability of the management in delivering the business response. The stakeholder perception should be seen as the critical success factor with an equal, if not more urgent priority over the

Figure 2		BCM questions
GUIDELINE COMPONENT HEADING	MOST FREQUENTLY ASKED QUESTIONS	
PURPOSE	● Why do we need to do it?	
OUTCOMES	● What will it achieve?	
COMPONENTS	<ul style="list-style-type: none"> ● What do we need to do to it? ● What does it consist of? (ingredients) 	
METHODOLOGIES AND TECHNIQUES	● What are the tools we need to do it?	
PROCESS	<ul style="list-style-type: none"> ● How is it done? ● How do we do it? 	
FREQUENCY AND TRIGGERS	● When should it be done?	
PARTICIPANTS	<ul style="list-style-type: none"> ● Who does it? ● Who should be involved? 	
DELIVERABLES	● What is the output?	
'GOOD PRACTICE' EVALUATION CRITERIA	● How do we know if we have got it right?	

Figure 3

The business continuity management life cycle

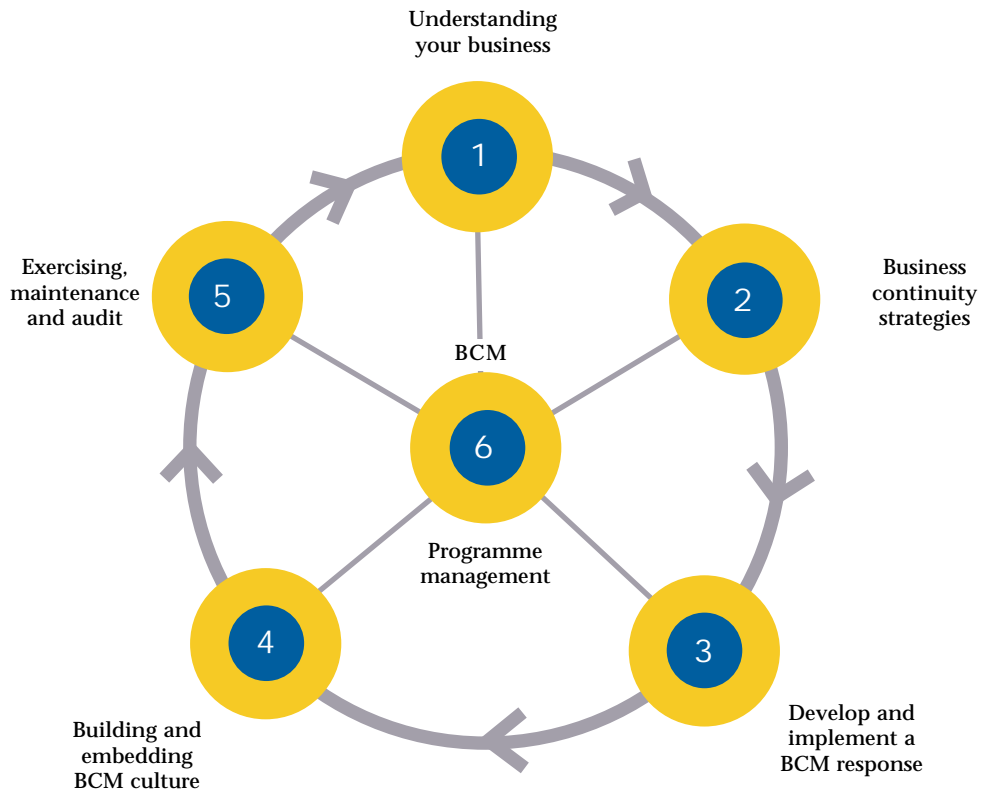
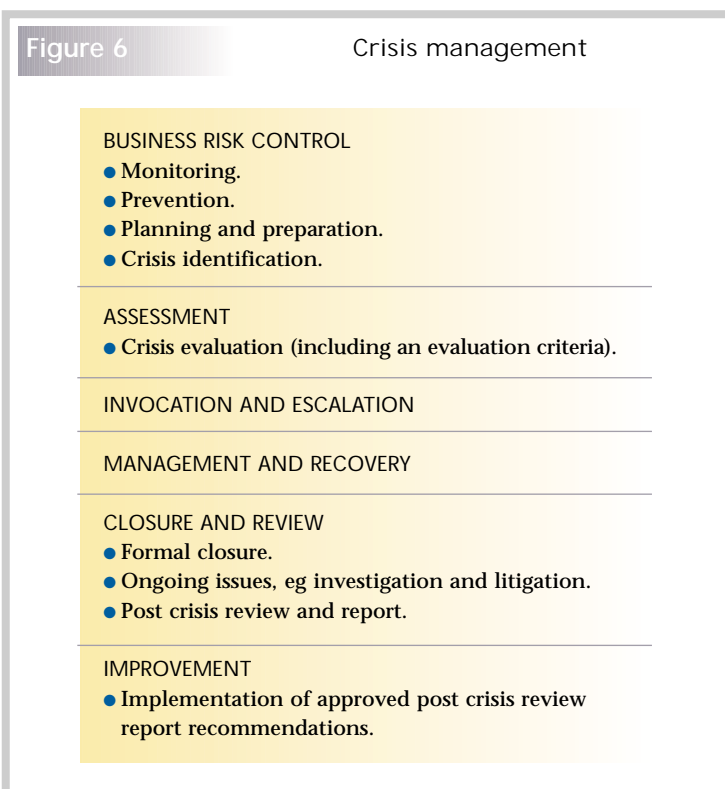
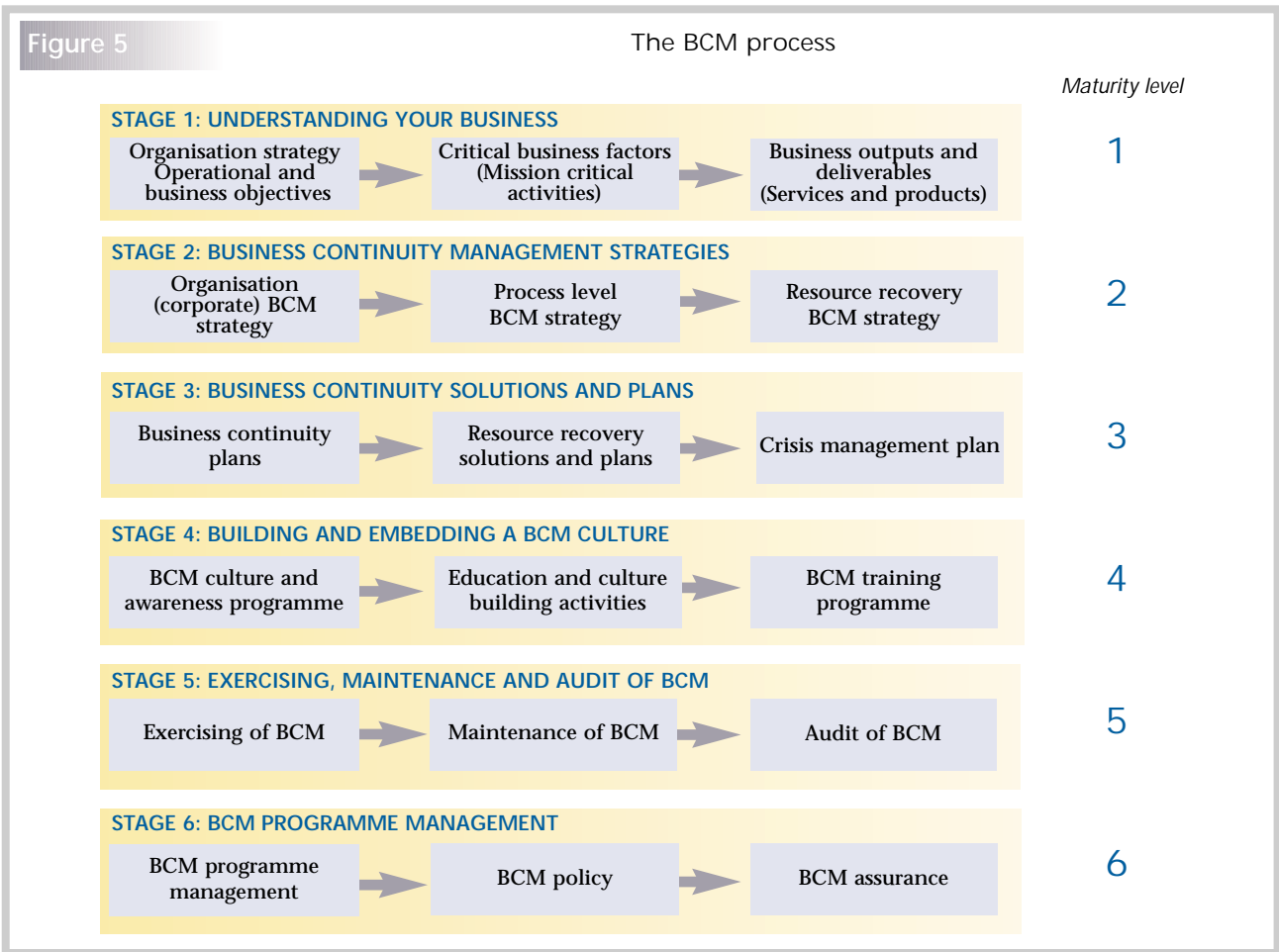


Figure 4

The six stages of the life cycle in more detail

1 UNDERSTANDING YOUR BUSINESS	<ul style="list-style-type: none"> ● Business impact analysis. ● Risk assessment and control. 	5 EXERCISING, MAINTENANCE AND AUDIT	<ul style="list-style-type: none"> ● Exercising of BCM plans. ● Rehearsal of staff, BCM teams. ● Testing of technology and BCM systems. ● BCM maintenance. ● BCM audit.
2 BCM STRATEGIES	<ul style="list-style-type: none"> ● Organisation (corporate) BCM strategy. ● Process level BCM strategy. ● Resource recovery BCM strategy. 	6 THE BCM PROGRAMME	<ul style="list-style-type: none"> ● Board commitment and proactive participation. ● Organisation (corporate) BCM strategy. ● BCM policy. ● BCM framework. ● Roles, accountability, responsibility and authority. ● Finance. ● Resources. ● Assurance. ● Audit. ● Management information system (MIS): metrics/scorecard/benchmark. ● Compliance: legal/regulatory issues. ● Change management.
3 DEVELOPING AND IMPLEMENTING A BCM RESPONSE	<ul style="list-style-type: none"> ● Plans and planning. ● External bodies and organisations. ● Crisis/BCM event/incident management. ● Sourcing (intra-organisation and/or outsourcing providers). ● Emergency response and operations. ● Communications. ● Public relations and the media. 		
4 BUILDING AND EMBEDDING A BCM CULTURE	<ul style="list-style-type: none"> ● An ongoing programme of education, awareness and training. 		



technical solution. Consequently, the acid test is to convincingly demonstrate an effective and fit-for-purpose business continuity and crisis management capability, and to continue business as usual. This is in contrast to the more familiar pattern of a fall and recovery of a business, which is more representative of the outdated disaster recovery and business resumption approaches.

Conclusions

An organisation consists of people, and people at the top who give a cultural lead. As a consequence, business continuity and crisis management are not solely a set of tools, techniques and mechanisms to be implemented in an organisation. They should reflect a more general mood, attitude and type of action taken by managers and staff.

Individual personalities play a crucial and critical role. It is the human factor that is frequently underestimated in BCM. This is of particular importance because the examination of the cause of business continuity events

and crises usually identifies several warning signals that were ignored or not recognised. The key to a successful crisis and BCM capability is to adopt an holistic approach to validate each of the key building blocks of the BCM life cycle and process.

The first task is always to identify the right people who are not bounded as individuals or within the corporate culture. It is on these criteria that the success or failure of creating an effective and fit-for-purpose BCM capability will be determined. Having identified the right people, they should engage in the BCM planning process using the BCI Good Practice Guidelines and training via the exercise simulations of plans, rehearsal of people/teams and testing of systems, processes, technology, structures and communications.

The organisation can assist this process by

appointing a BCM 'champion' at a senior level whose role is to draw together, under a matrix team approach, representatives from the various organisation functions eg human resources, together with key line of business heads to ensure a co-ordinated approach. The key advantage of this approach is that it builds on what already exists and has been done thereby enabling a 'virtual capability' that provides cost efficiency. A further benefit is that it ensures 'buy-in' throughout the organisation.

In adopting this methodology and regularly exercising, rehearsing and testing the organisation maintains an effective up-to-date and fit-for-purpose BCM and crisis management capability. When a crisis hits the organisation everyone knows what to do and a smooth invocation of the plan takes place ensuring that the impact on mission critical activities is

People are the key to successful BCM

Further reading and references

Whilst the guidelines are predominantly designed for the BCM practitioner the following publications are strongly recommended as introductory reading by directors and senior managers of all organisations:

- 'Communicating out of a crisis'
Bland, M, Macmillan Press Ltd, London (1998) (ISBN 0-333-72097-0)
- 'Getting Started'
Business Continuity Institute, BCI, Worcester(2001)
- 'BCM: A strategy for business survival'
Business Continuity Institute, BCI, Worcester (2002)
- 'An introduction to BCM'
Central Computer and Telecommunications Agency, HMSO, London (1995) (ISBN 0-11-330669-5)
- 'A risk focused review of outsourcing in the UK retail banking sector'
Financial Services Authority, London (2001)
- 'How resilient is your business to disaster'
Home Office, HMSO, London (1996)
- 'Heeding the lessons of 9/11'
Honour, D, *International Journal of BCM* (2001), Vol 2, Issue 1, p13-17
- 'Business continuity'
Institute of Directors, Director Publications Limited, London (2000) (ISBN 0-7494-3563-1)
- 'The impact of catastrophes on shareholder value'
Knight, RF and Pretty, DJ, *Oxford Executive Research Briefings*, Templeton, College (2000)

- 'Major incident procedure manual',
London Emergency Services Liaison Panel, (5th Edition) Metropolitan Police, London (1999)
- 'Wider than IT'
Leather, G, *Continuity* (2001), Vol 5, Issue 1, p4-5
- 'Crisis Management : A diagnostic guide for improving your organisation crisis preparedness'
Mitroff, II and Pearson, CM, Jossey-Bass, San Francisco (1993) (ISBN 1-55542-563-1)
- 'BCM – preventing chaos in a disaster'
Power, P, Department of Trade and Industry, London (1999)

The following video should also be considered as introductory viewing by all managers and staff within an organisation:

- 'Back to business: planning ahead for the unexpected',
Business Continuity Institute (2001).

References

1. 'FSA working paper on Business Continuity management'
Financial Services Authority, London (2002)
2. 'Business continuity and supply chain management'
Chartered Management Institute (2002).
3. Transforming a crisis-prone organisation'
Pauchant,TC and Mitroff II (1992), Jossey-Bass, San Francisco.