DISASTER RECOVERY JOURNAL

Executive Guide: How to Achieve True Enterprise Resiliency

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Achieving Enterprise Resiliency

As enterprises grow and increase in complexity, the need to ensure they can proactively respond to unplanned challenges to the business has also increased. The idea of enterprise resiliency implies an organization not only can address the daily issues associated with running a complex business but also can anticipate and respond quickly to situations that could seriously threaten the business.

It’s not enough to focus on risk management – which is usually how these kinds of situations are addressed – as the method for dealing with major business threats. To be sure, risk management has become an important part of how businesses are managed, along with governance and compliance. It is typically used to identify certain kinds of risks, such as operational risks (e.g., production), financial risks (e.g., investments, credit), legal and regulatory risks, and natural hazards risks (e.g., earthquakes, tsunamis, severe weather). But it doesn’t always focus on people/cultural risks such as loss of key staff and addressing cultural differences, and it doesn’t address increasingly important business issues such as brands, images, reputations, supply chains, and intellectual properties.

So if we are trying to turn an existing enterprise – with all its dimensions and complexities – into a resilient enterprise, what must be done?

Starting at the highest levels of the company, corporate directors must raise the bar on their own strategies and mandates to include a greater awareness of and focus on risks and how to manage them. Understanding the risks is essential if the board is to embrace their importance to the company’s success and survival. Once the risks have been identified, efforts must be made to anticipate them and respond using improved management techniques, discipline and decision-making, company-wide awareness of the risks and how to address them, carefully designed and tested emergency procedures, and prudent investments in risk management activities.

Enterprise resiliency naturally starts at the top and must be communicated throughout all parts of the enterprise. A “culture of resiliency” becomes a key goal, not only for senior managers, but for all employees. Articulating this goal should be a board-driven activity.

But for an organization to become resilient, it needs information about such elements as business conditions, global financial activities, shifts in global markets, and potential disruptions in foreign governments that could have a negative effect on businesses worldwide. This suggests proactive efforts must be made to obtain all sorts of relevant business information, and then have resources to quickly...
sort through this information to gain insight regarding potential risks and threats. Management then has to have processes in place to quickly assess these risks – perhaps even before they materialize – and identify options for how the organization will respond. By developing a heightened ability to gather and analyze business information, resilient enterprises develop an agility to move quickly and head off potential disruptive events before they surface. Further, even if such an event materializes, the resilient enterprise will already have plans in place to respond to and, if necessary, recover from a risk or threat.

To develop such a resilient enterprise starts with identifying the key risks items for the company, such as its risk appetite, issues that boost (or reduce) earnings, and the cultural climate of the organization. The next step is to formulate a risk framework that defines how to manage risks; identifies information needed to address the risks; defines operational activities such as information gathering, analysis, and reporting; and establishes a governance model that builds on these and other business factors. The third step is to build a “resiliency machine” that defines the information management needs for risk analysis and decision-making, develops and deploys systems that pinpoint situations which may need further scrutiny and analysis, and structured processes such as business continuity plans that respond to risk situations, helping the enterprise “ride the wave” rather than wipe out.

Summary

The keys for resilient enterprises, therefore, are information, a risk mindset, a commitment to resiliency starting at the highest levels of the enterprise, and a culture that is prepared to quickly and proactively respond to risks and threats before they escalate. Procedures to respond to specific events can be developed and exercised in advance of an event occurring, further ensuring the resilient enterprise can protect its shareholders, its market share, its financial stability and profitability, and its brand reputation.
Resiliency has become a frequently used buzz word with some variation in the area of focus depending on what the vendor or consultant is selling. Additionally the focus is typically on technology and/or a single aspect of a business continuity program or business process. However, when you are talking about enterprise-wide resiliency, it is a much broader challenge that addresses a majority of organizational elements, requires the highest level of commitment, and ultimately may change the culture of the enterprise over time.

While there are a number of definitions of resilience, I suggest you can simplify the old Timex slogan, “It takes a licking and keeps on ticking.” This suggests you can subject an entity (person, facility, technology, infrastructure, system, information, process, and organization) to some type of stress with varying degrees of severity, and the entity will continue to function during and after the stress is removed. In some cases, the organization’s resilience is sufficient to not only survive the stress but leverage the event and thrive after the event. So what are the common characteristics of organizations having true enterprise-wide resiliency?

In preparation for this article I found a number of sources writing on the processes for achieving and/or measuring enterprise resiliency. One excellent source is the research published by Resilient Organizations Research Program (RORP), an organization funded by the Foundation for Research Science and Technology (FRST) of New Zealand. Publications are available on their website at www.resorgs.org.nz. Given the brevity of this article, I will summarize some of the results of their research.

Organizational resilience is the subject of a six-year research program under way in New Zealand. The research explores how organizations prepare for adverse events, how well they adapt when crises occur, how effectively interdependencies between organizations function under duress, and how well community interests are served in these conditions. New Zealand is a country that faces significant disruptive challenges arising from natural (geological and meteorological events) acts of malevolence, sudden changes in the operating environment (e.g. global financial crisis), or by internal failure of the organization’s assets or systems themselves. The research program participants noted that resilience arises from an organization’s “resilience ethos” which is a function of the organization’s

- situational awareness;
- management of its key vulnerabilities; and
- adaptive capacities.

**Indicators of Resilience**

RORP researchers leveraged the experiences of New Zealand businesses impacted by multiple major disasters ranging from multiple long-term power outages within major metropolitan areas
to multiple major earthquakes, causing significant disruption and damage to central business districts. The researchers conducted a series of interviews and workshops with both public and private sector organizations to identify the positive and negative indicators of resilience or lack thereof within the affected organizations. Additionally, they developed assessment tools to collect and evaluate the data. Based on their research, the RORP identified 13 indicators they use to assess the resilience of an organization. These indicators generally fall under two categories: adaptive capacity and planning. In previous research studies, other multidimensional resilience models were evaluated within the context of RORP research samples. The research found that more frequently the indicators could be consolidated under the two major categories. In reviewing the research materials for this article, the author did not find any specific category to have a higher weighting than the others. The researchers indicated that additional research would be required to make that determination. However, they did indicate that intra- and inter-organizational silos were detrimental to an organization achieving a high level of resilience.

According to Wikipedia, as applied to human social systems, the adaptive capacity is determined by the ability of institutions and networks to learn and store knowledge and experience; creative flexibility in decision making and problem solving; and the existence of power structures that are responsive and consider the needs of all stakeholders.

Leadership: The organization has strong crisis leadership to provide good management and decision making during times of crisis, as well as continuous evaluation of strategies and work programs against organizational goals.

Staff Engagement: There is engagement and involvement of staff who understand the link between their own work, the organization’s resilience, and its long-term success. Staffs are empowered and use their skills to solve problems.

Situational Awareness: Staff is encouraged to be vigilant about the organization, its performance, and potential problems. Staffs are rewarded for sharing good and bad news about the organization including early warning signals, and these are quickly reported to organizational leaders.

Decision Making: Staff has the appropriate authority to make decisions related to their work, and authority is clearly delegated to enable a crisis response. Highly skilled staffs are involved, or are able to make, decisions where their specific knowledge adds significant value or where their involvement will aid implementation.

Innovation and Creativity: Staff are encouraged and rewarded for using their knowledge in novel ways to solve new and existing problems, and for utilizing innovative and creative approaches to developing solutions.

Leveraging Knowledge: Critical information is stored in a number of formats and locations, and staff has access to expert opinions when needed. Roles are shared, and staffs are trained so that someone will always be able to fill key roles.

Breaking Silos: Within the organization, there is a minimization of divisive social, cultural, and behavioral barriers, which are most often manifested as communication barriers creating disjointed, disconnected, and detrimental ways of working.

Internal Resources: The management and mobilization of the organization’s resources to ensure its ability to operate during business as usual, as well as being able to provide the extra capacity required during a crisis.
Planning

Unity of Purpose: An organization-wide awareness of what the organization’s priorities would be following a crisis, clearly defined at the organization level, as well as an understanding of the organization’s minimum operating requirements.

Proactive Posture: A strategic and behavioural readiness to respond to early warning signals of change in the organization’s internal and external environment before they escalate into crisis.

Planning Strategies: The development and evaluation of plans and strategies to manage vulnerabilities in relation to the business environment and its stakeholders.

Stress Testing Plans: The participation of staff in simulations or scenarios designed to practice response arrangements and validate plans.

Effective Partnerships: An understanding of the relationships and resources the organization might need to access from other organizations during a crisis, and planning and management to ensure this access.

I am sure some organizations already have a number of these resiliency indicators imbedded in their existing culture and operations without considering that characteristic integral to operational resilience. However, most organizations will benefit from a self-assessment to determine the level of resilience throughout their organization. Lack of resilience in critical areas may create vulnerabilities that could be remediated if known and addressed.

Website links to RORP self-assessment tools and reference materials used are provided.

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Signposts of an Effective BC/DR Exercise Program

Most of the time and funds spent on business continuity programs after initial plan development revolve around the exercise program. Are you wondering if your firm’s business continuity/disaster recovery (BC/DR) exercise program is providing maximum benefit? Don’t know what are the key program indicators (KPIs) of successful programs? Start with these seven critical KPIs to measure the effectiveness of your organization’s business continuity management (BCM) exercise program.

1. The BCM Program has an Independent Budget

In order to be taken seriously as an ongoing function within the organization, the BCM program must have an independent annual budget. When BCM must compete with revenue-generating projects, it is very likely to remain underfunded year after year. No matter where the BCM program reports in the organization, it should have an independent budget; it is useful to maintain a three-year rolling BCM budget, as this emphasizes that this is an ongoing program (and not a one-time project), as well as demonstrating capability development plans over time.

2. An Annual Exercise Plan is a Line Item in the BCM Program Budget

After the initial development of the BCM program, exercises constitute the major part of the work of the program staff. This plan should be driven by annual objectives such as verification of plan accuracy and completeness, staff training, and increasing realism. These objectives should demonstrate increasing program maturity over the years, including exercise complexity, difficulty, and conformance with realistic disaster characteristics such as the absence of key recovery personnel and occurrence during off-hours. Having a separate line item also allows you to plan your exercises in detail the year before, knowing ahead of time what exercises you will conduct and how much each will cost.

3. A Specific Scenario Drives Every Exercise

Every exercise, from the smallest departmental notification exercise to the most complex technology and business relocation event, should be driven by a specific disaster scenario. Over time, this will result in a variety of increasingly more realistic interruptions. While we cannot anticipate the specifics of
any interruption event, the more elements that are “experienced” by your people in exercises, the greater the probability that they will have confidence about their ability to perform during the real thing. This includes the most challenging of IT/DR scenarios: the partial destruction of key systems.

4 Every Exercise Results in a Written Debriefing

Of course everyone in a regulated industry is aware that “tests” must be performed to prove your ability to meet regulatory requirements. But you lose many of the benefits of BCM exercises if this is your only exercise purpose. Every exercise should also be looking to find where recovery procedures can be improved. The closer you get to realistic testing, the more “lessons learned” you will find. If you use a standard exercise protocol that includes a written debriefing within 48 hours after every exercise, you are most likely to follow up on what was learned and to implement corrective actions, as well as updating any recovery documentation that needs to be changed.

5 Every Employee Participates in at Least One Exercise per Year

The idea that the recovery of the organization should be performed by designated “super-heroes” has had its day. What you need is “bench depth” and individual employee ownership. Bench depth assures you have no key recovery employee who is a “single point of failure”; instead, you have Team A, Team B, and Team C. All have rehearsed their responsibilities and are confident about their abilities to perform their designated tasks.

Individual employee involvement translates to huge awareness benefits: many risks and single points of failure are embedded in complex business processes. If all employees participate regularly in recovery exercises, they will be more likely to identify hidden risks which can often be mitigated before resulting interruptions occur. The net effect will be a significant increase in the resilience of the organization as a whole. Ignore this benefit at your peril.

6 A Variety of Exercise Types are Used

BCM programs should take advantage of the various benefits from different kinds of exercises. While recovery of IT systems is certainly important, it is likely not the only task that will need to be performed during an interruption. Therefore an IT recovery test at an alternate site is not the only exercise type that should be used. Also important are internal and external communications (first responders, customers, suppliers, media), employee support functions used only during major disruptions, relocation planning and execution, decision-making and management of the various teams involved in a recovery, and overall logistics. These are best exercised in tabletop exercises guided by a multi-day evolving scenario that challenges the recovery team members to work together to perform complex interactions among themselves as well as with external parties. These exercises are extraordinarily effective and can be performed at comparatively very little cost.

7 Passing the Test: Go for More!

In some organizations, exercising is all about “passing the test.” This leads to such behaviors as verifying the day before a notification exercise that all contact information is correct or telling the participants when they will be receiving an emergency notification. This is perhaps good enough for the initial exercise of a new automated notification system. Or perhaps you always order your back-up tapes from your off-site storage vendor ahead of time so that they will be immediately available when your recovery window starts at your alternate site. Neither of these cases is hardly what would happen in an actual emergency. You need much greater confidence in your continuity capability than this – and therefore you need to undertake increasingly realistic exercises – more like what will probably occur in a real interruption.

In short, you need to look behind the curtain to see what is really going on in your exercise program. Use these KPIs to find your weak points; then your BCM program staff can work to eliminate them.

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Senior Practitioners Invited to Take Part in Senior Advanced Track at Spring World 2013

Disaster Recovery Journal debuted the extremely popular Senior Advanced Track last Spring in Orlando. This year, we are building an even better experience for continuity planners at Spring World 2013.

The theme of this special report was designed to coincide with the same topic, How To Achieve True Enterprise Resiliency. Senior practitioners are invited to attend the one-day track on Monday, March 18, 2013, as part of your regular conference experience. Look for further details at www.drj.com. If you are interested in attending, contact senior-track@drj.com to learn about the requirements.

How To Achieve True Enterprise Resiliency will feature a general session in the morning and three breakout sessions in the afternoon. These will run separately from our general offerings to attendees. But, will include the same high quality speakers and information that you’ve come to expect from DRJ conference sessions.

Attendees who qualify for this program will gain indepth knowledge from some of the industry’s top leaders. Learn from executives who know the tricks of the trade, and how to achieve true enterprise resiliency.

Track attendees will merge with other attendees on Sunday, Tuesday and Wednesday for other conference events. There is no additional cost for this new track.

See the introductory brochure on pages 59-65 or visit www.drj.com

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