

# Selecting the Right Business Continuity Strategy

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## Introduction

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The first step in developing a customized business continuity plan (BCP) is to conduct a business impact assessment. This comprehensive risk evaluation and business impact assessment (BIA) will identify the organization's core business processes and their critical dependencies. Because the organization's recovery strategy must be based on the recovery of the core business processes and their critical dependencies, the strategy ultimately selected may be two-tiered:

- *Technical* — desktop, client/server, midrange, mainframes, data and voice networks, third-party providers
- *Business* — logistics, accounting, human resources, etc.

When the organization's executive management has signed off on the BIA report and endorsed the recovery of the recommended core business processes and the priority of recovery, BCP recovery strategies must be developed for each business process. Ideally, all business units should participate in the development of these BCP recovery strategies. As experienced staff in the business unit's understands their business processes, they should be approached to suggest recovery strategies. A recovery strategy workshop is an ideal forum to develop the BCP recovery strategy with input from the business units. This will ensure that there is ownership of the BCP strategy and the "plan" by the business units.

## Recovery Strategy Workshop

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The purpose of the recovery strategy workshop is to identify appropriate recovery strategies for each core business process and the risks associated with each strategy. Of particular interest are recovery strategies that are low risk and cost effective. Too often, there is a greater emphasis on cost and benefits without consideration given to the risks associated with the recovery strategy. The BCP coordinator (*i.e.*, the person responsible for developing, implementing, and maintaining the organization's BCP) must select the right recovery strategy and must also minimize the risks associated with that strategy. The BCP coordinator should be the workshop facilitator because he or she has a deep knowledge of business continuity planning and risk management training, as well as a good understanding of the organization's strategic objectives and processes. Business unit attendees should have a good working knowledge of their business processes.

TABLE 37.1 Recovery Risks

No.	Risk Description
1	Damage to the bank's brand ( <i>i.e.</i> , reputation)
2	Customer impact — financial and service
3	External service level agreement (SLA) partner not compliant with agreement
4	Holdover (delayed processing)
5	Timeframe lag
6	Funding of recovery
7	Resource shortage — staff
8	Resource shortage — skills
9	Resource shortage — equipment
10	Resource shortage — stationery/stores
11	Internal coordination
12	External coordination
13	Logistics ( <i>e.g.</i> , transportation of staff, work)
14	Employee's union
15	Legislative requirements
16	Third-party suppliers (non-provision of services)
17	Denial of access to alternative processing sites
18	Internal/external communications
19	Incompatible information technology
20	Internal SLA partner not compliant with agreement
21	Physical security over source documents

## Recovery Strategies

During the workshop, the BCP coordinator will assist the business unit staff in identifying BCP recovery strategies for each core business process. It is not unusual to find that the initial recovery strategy suggested by the workshop attendees is high risk and not cost effective. As a case study, take a look at the banking sector and one of its core business processes, that of processing customer checks and exchanging checks with other banking institutions. At the workshop, attendees would identify a number of BCP recovery strategies for processing checks; for example:

- Have a service level agreement with another bank to process all work.
- Branch network processes all credits and service level agreements with another bank to complete check processing and exchange checks.
- Branch network to processes all credits and forwards all checks to an intrastate/interstate center for final processing and check exchange.
- Forward all work to an intrastate/interstate center for processing.
- Do nothing.

## Strategy Risks

To continue this case study for the core business process of processing checks, the workshop attendees (with the assistance of the BCP coordinator) would identify a range of recovery risks that may be applicable (see Table 37.1).

## Assessing Risks

The BCP coordinator, with assistance from the workshop attendees and utilizing the BCP recovery strategy risks (as per Table 37.1) and a risk assessment methodology (*e.g.*, AS4360 Risk Management; refer to [Table 37.2](#)), assesses each recovery strategy and the associated risks. A risk assessment matrix is then applied for likelihood and consequences to derive a risk score.

TABLE 37.2 Risk Management Methodology

Descriptor		Meaning					
Likelihood of Event Table							
Almost	Certain the event is expected to occur in most circumstances.						
Likely	The event will probably occur in most circumstances.						
Moderate	The event should occur at some time.						
Unlikely	The event could occur at some time.						
Rare	The event may occur only in exceptional circumstances.						
Consequences of Event Table							
Catastrophic	Complete disaster with potential to collapse activity.						
Major	Event that, with substantial management, will be endured.						
Moderate	Event that, with appropriate process, can be managed.						
Minor	Consequences can be readily absorbed; however, management effort is required to minimize impact.						
Risk Assessment Matrix		Likelihood					
	Almost						
Consequences	Certain	Likely	Moderate	Unlikely	Rare	Irrelevant	
Catastrophic	High	High	High	High	Significant	N/A	
Major	High	High	High	Significant	Significant	N/A	
Moderate	High	Significant	Significant	Moderate	Moderate	N/A	
Minor	Significant	Significant	Moderate	Low	Low	N/A	
What the risk value meanings are:							
High	High risk — detailed research and management planning required at high levels						
Significant	Significant risk— senior management attention needed						
Moderate	Moderate risk — specific risk management processes must be developed						
Low	Low risk — can be managed by routine procedures						

Source: From AS4360 — Risk Management Standards, Australia.

Each recovery strategy score is then risk ranked to provide an indication of the level of risk associated with each recovery strategy (refer to [Table 37.3](#)). The BCP recovery strategy that offers the lowest levels of risk in execution and the greatest opportunity of success will be costed.

## Recovery Strategy Costs

The two levels of costs are pre-event and event costs. Pre-event costs are incurred in either implementing risk mitigation strategies or allocating of resources (including human and financial) and capital expenditure to developing the necessary infrastructure for the BCP recovery strategy. These costs may include, for example:

- *Information technology*
  - Hot site — Fully operational computer center, including data and voice communications
  - Alternate LAN server — LAN server fully configured, ready to be shipped and installed at the same site or alternate site
  - Physical separation of telecommunications network devices (previously centralized) to reduce the likelihood of a single point of failure
  - Establishment of service level agreements with BCP recovery company (*i.e.*, hot, warm, or cold sites and mobile).
  - Duplication of telecommunications network (*e.g.*, another telecommunication carrier, switching capability)
  - Creation of a full-time BCP team that is responsible for maintaining and testing the organization's technical BCP

TABLE 37.3 Case Study

Banking sector: Processing checks

Bank core process: Check processing (deposits and checks) and exchange

Strategy	Risks	Assigned Risk Rating
<b>BCP Strategy 1</b>		
Have a SLA with another bank to process all work.	1. Brand damage	Moderate
	2. Customer impact	Low
	3. Other banking party noncompliant with SLA	High
	4. Holdover	High
	5. Timeframe impact	Low
	6. Funding	High
	7. Staff shortage	Significant
	8. Equipment shortage	High
	9. Logistics	Moderate
	10. External coordination and cooperation	Low
	11. Stationery/stores	Moderate
	12. APCA requirements	Significant
	13. Other legislative requirements	Moderate
	14. Internal/external communications	
<b>BCP Strategy 2</b>		
Branch network processes all credits and SLA with another bank to complete check processing.	1. SLA banking party not compliant	Low
	2. Holdover	Significant
	3. Timeframe impact	High
	4. Funding	Low
	5. Staff shortage	High
	6. Equipment shortage	Moderate
	7. Internal coordination and cooperation	Moderate
	8. Logistics	Moderate
	9. Union	Significant
	10. External coordination and cooperation	Moderate
	11. Skills shortage	Significant
	12. APCA requirements	Moderate
	13. Other legislative requirements	Moderate
	14. Internal/external communications	

- *Equipment.* The purchase and maintenance of redundant equipment at an alternative site (e.g., microfilm readers, proof machines, image processors), particularly if there is a long lead time to source and procure equipment.
- *Third-party service providers.* Third-party service providers are requested to develop a BCP requirement to meet organizational (customer) requirements. Some proportion of this cost may be borne by the organization requesting that this functionality or facility be provided.
- *Dependency on third-party service providers for business continuity purposes.* This is a major concern to BCP coordinators. When third-party service providers have been identified as critical to the day-to-day operations of the business, BCP coordinators are to seek assurance that these service providers have a demonstrable BCP in the event of disaster striking their organization.
- *Service level agreements (SLAs).* The costs associated with external suppliers readily providing services or products (non-IT) in the event of a disaster.
- *Vital records.* A vital record program that identifies all critical records required for post-recovery core business processes. Costs may be incurred in the protection of these records (e.g., imaging, offsite storage) to ensure that they will be available in the event of a disaster.

Event costs are incurred in implementing the BCP strategies in the event of a disaster. The costs are an estimation of the likely costs that would be incurred if the BCP were activated for a defined period (e.g., 1 day, 7 days, 14 days, 21 days, 30 days). These costs would include, but are not limited to:

TABLE 37.3 Case Study (cont.)

Strategy	Risks	Assigned Risk Rating
<b>BCP Strategy 3</b>		
Branch network processes all credits; forwards all checks to an interstate day 1 OPC for processing.	1. Holdover	High
	2. Timeframe impact	High
	3. Funding	Low
	4. Staff shortage	Significant
	5. Equipment shortage	Moderate
	6. Internal coordination and cooperation	Moderate
	7. Logistics	Significant
	8. Union	Moderate
	9. Stationery/stores	Low
	10. APCA requirements	Significant
	11. Denial of access to alternative premises	Moderate
	12. Internal/external communications	Moderate
<b>BCP Strategy 4</b>		
Forward all work to an interstate day 1 OPC for processing.	1. Brand damage	High
	2. Customer impact	High
	3. Holdover	High
	4. Timeframe impact	High
	5. Funding	Low
	6. Staff shortage	High
	7. Equipment shortage	Significant
	8. Internal coordination and cooperation	Moderate
	9. Logistics	High
	10. Union	Significant
	11. Stationery/stores	Moderate
	12. AOCA requirements	Significant
	13. Denial of access to alternative premises	Moderate
	14. Internal/external communications	Moderate
<b>BCP Strategy 5</b>		
Do nothing.	Not considered, as it is unrealistic	N/A

- Activation of SLA — Often a once up cost plus ongoing costs until services or products are no longer required (cessation of disaster)
- Staffing (*e.g.*, overtime, temporary, contractors)
- Logistics (*e.g.*, transportation of staff and resources, couriers)
- Accommodation costs (*e.g.*, hire/lease of temporary offices, accommodations for staff and other personnel)
- Hire/lease or procurement of non-IT resources (*e.g.*, desks, chairs, tables, safes, cabinets, photo-copiers, stationery)
- Hire/lease or procurement of IT resources (*e.g.*, faxes, handsets, printers, desktop PCs, notebook computers, terminals, scanners)
- Miscellaneous costs (*e.g.*, insurance deductible, security and salvage of assets at disaster site, cleanup of disaster site, emergency services costs)

The BCP coordinator is to determine that all pre-event and event costs have been included and are reasonably accurate. Ideally, the BCP coordinator should request an independent party (for example, the organizations' audit department) to review the cost components and value to ensure they are all complete and accurate.

TABLE 37.4 Costs of Two Strategies

BCP Strategy	Pre-Event Costs	Accumulative Event Costs					
		1 Day	1 Week	2 Weeks	3 Weeks	4 Weeks	Total Costs
Strategy 2	\$150K per annum	\$75K	\$255K	\$375K	\$515K	\$730K	\$880K
Strategy 3	Nil	\$150K	\$415K	\$875K	\$1.2M	\$3.2M	\$3.2M

## Recovery Strategy Risks *Versus* Costs

Once the costs (pre-event and event) have been determined, an analysis of the recovery strategy risks *versus* costs is to be performed. The objective of this analysis is to select the appropriate recovery strategy, which is balanced against risk and cost. For example, using the case study above, the recovery strategies that offer the lowest risks for implementation are:

- *Strategy 2.* Branch network processes all credits and SLAs with another bank to complete check processing and exchange checks.
- *Strategy 3.* Branch network processes all credits and forwards all checks to an intrastate/interstate center for final processing and check exchange.

An analysis of Table 37.4 indicates the following:

- *Strategy 2*
  - Highest risk of the two strategies being considered for implementation
  - Pre-event cost of \$150,000 per annum for the service level agreement
  - Lowest event cost of the two strategies of \$730,000
- *Strategy 3*
  - Lowest risk of the two strategies being considered for implementation
  - No pre-event costs
  - Highest event cost of the two strategies by \$3.2 million
  - The longer the outage lasts, the greater the increase in event costs

The decision to be made is whether the organization is prepared to accept higher risks with lower event costs or a lower risk strategy with higher event costs. In other words, it is a trade-off between risks the organization is prepared to accept and the costs the organization is prepared to spend. However, where two strategies are of equal risk and similar cost value, then a third element is brought into the evaluation process — benefits. The benefits, including tangible and intangible, for each strategy are to be evaluated against the risks associated with the recovery strategy. Further, the benefits are to be considered in the short and long term with regard to the added value to the organization operating in a dynamic and competitive market.

## Summary

Organizations who undertake business continuity planning often do not take the time to analyze the risks associated with a selected BCP recovery strategy, to determine if it is low risk and the cost of implementation is acceptable. The BCP coordinator's role is enhanced by ensuring that the right BCP recovery strategies are selected for the organization. The reality is that in the event of a disaster, selecting the wrong strategy may actually exacerbate the disaster. This potentially may lead to the organization going out of business. However, by performing a risk *versus* cost analysis of the BCP strategies, the BCP coordinator will reduce the potential exposures the organization will face in the execution of the business continuity plan (*i.e.*, implementation of the recovery strategy) and strengthening the recovery process.