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PREPARING A BUSINESS CONTINUITY PLAN

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This Presentation Covers.....

- **Why Business Continuity Plan (BCP)?**
- **Contents of BCP**
- **Industry Specific BCP**
- **Location Specific BCP**
- **Risk Specific BCP**
- **Preparing BCP- Step by Step**
- **Risk Management Plan**
- **Risk Assessment Methodologies**
- **Business Continuity Strategy**
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- **BCP Testing**
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Why Business Continuity Plan ?



- *A Business organization has several stakeholders viz. Owners, Management, Employees, Suppliers, Customers, Partners, Service providers, State, Governments.*
- *In order to protect their interest, BCP is a must.*

For instance – What if Microsoft or Oracle is shut down ?

Contents of BCP

- **Objectives**
- **Identification of Business Units**
- **Quantification of their contribution**
- **Importance of each business unit to the organization**
- **Identification of Components of each business units**
- **Identification of Business Processes for each unit**
- **Identification of Business Assets for each unit**
- **Identification of supporting services**
- **Identification of Risks to the business**
- **Adoption of Risk Ranking Methodology**
- **Business Continuity Strategy**
- **Business impact analysis**
- **Risk Management Plan**
- **Formation of BCP Teams & their Training**
- **BCP Testing**
- **BCP Maintenance**
- **Independent Audit**

Industry Specific BCP

- A BCP meant for Water supply company can not work for a Bank
 - A BCP meant for an Insurance company can not be used for Mfg company
 - A BCP meant for Government services can not be used for a departmental store
- A BCP meant for a Bank can be relevant for another Bank, though it will not be an exact fit
 - A BCP meant for an Insurance company may be useful for another Insurance company, not in Toto
 - A BCP meant for Government services can a good reference for another Government

Every organization will have it's own BCP that will be unique and will not match with any other organization

Location Specific BCP

- A BCP meant for Finland can not work for a Dubai
- A BCP meant for a New York based company can not be used for a company in Myanmar
- A BCP meant for Government in Iraq can not be used for Government in Norway
- A BCP meant for a Stockholm Co can be relevant for another Co in Stockholm, though it will not be an exact fit
- A BCP meant for an Insurance company in Oslo may be useful for another Insurance company in Oslo, not in Toto
- A BCP meant for Afghan Government services can a good reference for Iraq Government

Every Location has specific Risks that will be unique and will not match with risks of any other location

Risk Specific BCP

Risks are specific to the Industry, Location and Organization and therefore, each BCP will be based on unique set of Risks

BUSINESS RISKS

- Competition
- Industry
- Economy
- Political
- Country
- Trading partner
- Regulatory
- Currency
- Obsolescence
- Acts of God
- Raw Material
- Key Personnel
- Unprofessionalism
- Information Systems
- Capital
- Debtors
- Creditors
- Labour
- Power

Preparing BCP, Step by Step

STEP – 1 : Identification of Business Units

- The Organization will have multiple business units and multiple lines of business at several locations
- Each business unit will have multiple components

Examples

- A Elect. Mfg company may have Switchgear, Fans, Bulbs, ACs, Tubes, switches, Junction boxes, Appliances units
- An International Bank will have Term Lending, Trade Finance, Consumer Loans, Home Loans, Vehicle Loans, Security Trading, Forex, Investment (Business units/lines)

Preparing BCP, Step by Step

STEP – 2 : Quantification of their contribution

The contribution of a business unit will be quantified considering – % sales to the total, % of profit, Degree of dependency of other business units, Investment, market share, criticality to the total business

Example

- A fan mfg unit is contributing 60% of revenue, 70% of profit, 40% of investment and 20% of market share; it's criticality would be higher than other business units

Preparing BCP, Step by Step

STEP – 3 : Importance of each business unit to the organization

All the business units, as per the laid down criteria, shall be arranged (ranked) as per their criticality (importance) and valuation to the business.

Example-

Business Unit	Revenue	Profit	Market Share
Fans	60	70	20
Appliances	20	20	6
Bulbs & Tubes	20	10	4

Preparing BCP, Step by Step

STEP – 4 : Identification of Components of each business units

- The Organization will have multiple business units and multiple lines of business at several locations
- Each business unit will have multiple components

Example- An International Bank will have Term Lending, Trade Finance, Consumer Loans, Home Loans, Vehicle Loans, Security Trading, Forex, Investment (Business units/lines)

Above business lines will have sales, front office, back office, settlements, disbursements, service quality, supervision.....

Preparing BCP, Step by Step

STEP – 5 : Identification of Business Processes for each unit

- The Business processes for each business unit will be specific
- Each business unit will have several business processes

Example- An International Bank's Consumer Loans unit will have different set of processes as compared with Treasury operations

The business processes for Consumer loans can be –
Loan application Info recording, Appraisal, Decision, Account opening, Disbursal, Interest Application, Repayment, Rescheduling, Penal Interest, Settlement

Preparing BCP, Step by Step

STEP – 6 : Identification of Business Assets for each unit

- The business unit must have business assets to run the business
- Each business unit will have unique & shared set of assets

Example- A Consumer Loans unit will have workstations, servers, software, network, stationery, personnel, office infrastructure, communication facilities, premises

Above assets may be unique and servers, network may be shared

Preparing BCP, Step by Step

STEP – 7 : Identification of supporting services

- The supporting services are those without which main business units can not function
- Support services may not be profit centers, except internal charge outs

Example- Accounts and audit, Human Resources, Administration, Transportation, IT, Communications....

Preparing BCP, Step by Step

STEP – 8 : Identification of Risks to the business

- Risks, as listed earlier, shall be identified for each of the business units
- For each of the identified risk, probability of their occurrence shall be documented
- The probability can be **HIGH, MEDIUM, LOW**
- The probability can also be ranked on the scale of **1 to 5 or 1 to 10**, starting from lowest to highest

Preparing BCP, Step by Step

STEP – 9 : Adoption of Risk Assessment Methodology

- The organization has freedom to select a suitable methodology which gives them a comfort and confidence that it will produce repeatable results.
- Risk Assessment methods, make use of tables, and combine qualitative and quantitative measures.
- Such methodologies are available with BSI, Risk Management Inst, DRI International, BC Institute

Risk Management Plan

CONTENTS

- Risk Assessment Methodology
- Inventory of Business Assets
- Threats and Vulnerabilities
- Business impact analysis
- Business Continuity Strategy
- Risk Treatment Plan

- Business
- Neighborhood
- Premises
- Equipment
- Personnel
- Material, Processes
- Suppliers

STRATEGY

- Avoid a Risk (Alternate arrangements)
- Contain a Risk (Minimize the impact, spread)
- Reduce a Risk (Surveillance, UPS)
- Transfer a Risk (Insure, Outsource)
- Accept a Risk (Residual Risks)

Risk Assessment Methodologies



- Asset Identification and Valuation
- Identification & Valuation of Business Requirements (Threats, Vulnerabilities, Legal and business)
- Risk Calculation
- Suitable option for Risk Treatment
- Selection of control to reduce risks to acceptable level



Risk Calculation

Threat Likelihood Assessment Table

Level	Description
1	The threat is not likely to occur or the probability is “LOW”
2	Likely to occur once in ten years or the probability is “MEDIUM”
3	Likely to occur more often or the probability is “HIGH”

Risk Calculation

Vulnerability Exploitation Assessment Table

Level	Description
1	Highly probable or probable – it is easy to exploit the vulnerability. Protection is either absent altogether or is ineffective.
2	Possible – the vulnerability might be exploited, but some protection is in place.
3	Unlikely or impossible – it is not easy to exploit the vulnerability, good protection is in place.

Risk Calculation

Statutory and Contractual Requirements Assessment Table

Rating	Description
Low	Non-compliance of, which will not affect the business, it will be normal.
Medium	Non-compliance of, which can result in business losses affecting part of business.
High	Non-compliance of, which can result in heavy business losses affecting whole Organisation.

Risk Calculation

Legal, Regulation and Contractual Requirements Assessment Table

Level	Description
Low	Asset, which if removed / destroyed will have no impact on business.
Medium	Asset, which is quite useful for the business but business, will not shutdown without that asset.
High	Asset, without which business will come to halt.

Risk Calculation

Calculating the resultant risk level due to ‘Organizational Principles, Objectives and Business Requirements’

- Low risk measure has been considered where the asset, which if removed / destroyed will have no impact on business.
- Medium risk measure has been considered in cases where the asset, which if removed / destroyed will have an impact on the business but the business will not shutdown.
- High risk measure has been considered in cases where the asset, without which the business will come to halt.

Risk Assessment Summary

S. No	Asset Type	Risk Measure			Overall Risk Measure
		Threats & Vulnerabilities	Statutory & Contractual	Business Requirements	
1	Premises				
2	Equipment	1884	LOW	HIGH	HIGH
3	Raw Material	1425	MEDIUM	MEDIUM	MEDIUM
4	Distributors	1683	HIGH	HIGH	VERY HIGH
5	Warehouses	1864	HIGH	HIGH	VERY HIGH
6	Networks & Communications	1425	LOW	MEDIUM	MEDIUM
7	Top Management	1639	LOW	MEDIUM	MEDIUM
8	Line Management	1385	MEDIUM	LOW	MEDIUM
9	Customers	1886	LOW	HIGH	HIGH
10	Service Providers	1445	LOW	LOW	LOW
11	Suppliers	1227	LOW	LOW	LOW
12	Accounts	1629	HIGH	HIGH	VERY HIGH
13	Software	1840	LOW	HIGH	HIGH
14	Transport	1840	HIGH	HIGH	VERY HIGH

Business Impact Analysis

Impact	Cost
Replacement of Building and Plant	
Replacement of Equipment	
Replacement of Software	
Salaries paid to the staff sitting on a bench	
Salaries paid to the staff to clear the backlog	
Recreation of lost data	
Loss of Cash Flow	
Interest on deferred billings	
Penalty clause invoked for late delivery	
Loss of customers (lifetime value) and market share	
Loss of profits	
Additional cost of credit through reduced credit rating	
Recruitment cost for new staff on staff turnover	
Cost of training and retraining	
Fines and penalties for non-compliance	
Liability claims	
Additional cost of Advt, PR, marketing to retain market share	
Additional cost of working, admin, travel etc	

Business Continuity Strategy

BUSINESS DISRUPTIONS/DISCONTINUITY

- How does it impact company's survival ?
- How does it impact company's profits ?
- How does it impact company's image ?
- How does it impact most important customers, branches, products, services ?
- Does it stop mission critical function ?
- Can the customer cope without it ?
- What alternatives are available to achieve the deliverables ?

Answers to such questions form basis of BC Strategy

Risk Treatment

- **Avoid a Risk (Alternate arrangements)**
- **Contain a Risk (Minimize the impact, spread)**
- **Reduce a Risk (Surveillance, UPS)**
- **Transfer a Risk (Insure, Outsource)**
- **Accept a Risk (Residual Risks)**

Cost of each option is evaluated & best of the combination is selected

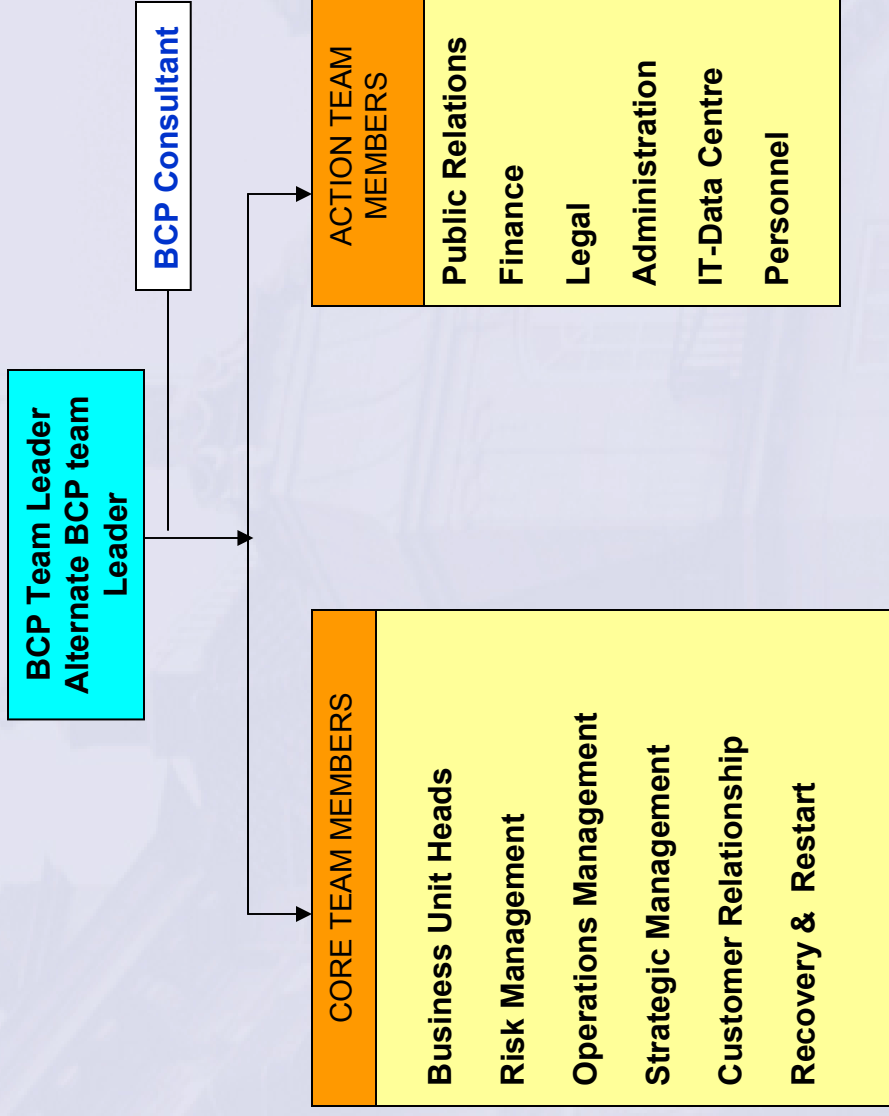
Cost of options

Risk Options Cost

- 1. Avoid a Risk : Alternate site (owned / hired- Capex/Rent)**
- 2. Contain a Risk:Distribute the operations (Rent, Comms, admin)**
- 3. Reduce a Risk : Internal Controls (Accountability,UPS,Watch)**
- 4. Transfer a Risk :Insurance premium, Outsource charges**
- 5. Accept a Risk : Business Losses,quantified**

Based on the Continuity Strategy & cost of each option,
best of the combination is selected

BCP Teams



Specific Training for BCP Team and awareness training for all the employees is a must

BCP Testing

A Plan, prepared with diligence but never tested,
is a nice document kept in a showcase

- Prepare Realistic Test cases for possible disruptions/disasters
- Test them periodically (Half yearly)
- Test cases should cover all the business units
- Some testing will involve costs
- The Recovery team, without testing BCP will never gain confidence
- Trained recovery team is as good as part recovery
- Add new cases & drop obsolete ones
- Update the skill set of Recovery team

BCP Maintenance

- With change in Business lines, Units, Processes
- With change in BCP Team
- With change in Top Management
- With change in Plant and Machinery
- With change in service providers
- After each BCP Test exercise
- After each new regulation
- With new directives from Board Of Directors
- BCP Leader is responsible for maintaining BCP

BCP Audit

- Provides an Independent Review
- First, on preparation
- Then, with every change & Test
- Valuable inputs
- Critical evaluation
- Can the Business Continue after disaster ?
- Is the BCP Team ready for recovery ?
- Is BCP relevant (or obsolete) ?
- Business is a Continuous Phenomenon

References

- **ISO/IEC 27001:2005**
- **Business Continuity Best Practices- Andrew Hiles**
- **Business Continuity Institute**
- **Disaster Recovery Institute International**
- **BCM Institute-Singapore**
- **Auditing BC – Rolf Von Roessing**

YOUR SLIDE



THANK YOU

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