

the business continuity and resiliency
JOURNAL



Q1 2013

CONTENTS

The 2013 Business Continuity Paper of the Year Competition

Welcome to the Q1 2013 issue of the Business Continuity and Resiliency Journal. This issue contains five papers, all of which were short-listed for our recent Business Continuity Paper of the Year 2013 competition.

Between January and March 2013 Continuity Central and the Business Continuity and Resiliency Journal invited entries for the competition which offered a £500 or \$800 prize to the winner.

Papers were judged by David Honour, editor of both Continuity Central and the Business Continuity and Resiliency Journal, and by judges drawn from the Business Continuity and Resiliency Journal's editorial review panel.

The winning entry appears as the first paper.

A FORK IN THE ROAD

Pages: 4-13 **Author:** Ken Simpson

Abstract: In 2013 we find ourselves at a collective fork in the road, once again considering the path we should collectively take to the future of the discipline. The current choice is between a wider-focused discipline called business continuity, and the 'management systems' highway known as business continuity management.

Moving forward may require embracing multiple alternative paths and destinations. To grow towards a wider focus we need to become a learning discipline. A wider focus on learning means we reflect on what we need to learn and how we facilitate that learning as a holistic discipline.

This paper discusses three ideas that challenge business continuity (management) professionals to think differently about learning, what it means to learn and ways that we can shape future practice.

THE BUSINESS CONTINUITY MANAGER IN 2017: HOW YOU CAN AVOID OBSOLESCE

Pages: 14-22 **Author:** Charlie Maclean-Bristol

Abstract: As the business continuity landscape changes over time then the role of the business continuity manager will also have to change. This paper looks at what the typical tasks of the business continuity manager are today and contrasts them with what the tasks of the business continuity manager might be in 2017.

The paper also outlines the skills that the business continuity manager will have to acquire in order to thrive in this anticipated new environment.

THE RIGHT STUFF: DECISION MAKING IN A CRISIS

Pages: 23-30 **Author:** James E Lythe

Abstract: This paper examines the hypothesis that the pressures and behaviours exhibited in a crisis situation which affect decision making for an experienced emergency responder are identical or similar to the heightened level of stress of a business manager experiencing a crisis for the first time, even if the stimuli are different. If the hypothesis is true, then tools, techniques and coping mechanisms that have been developed within fields where crisis situations are common (the military, emergency services, high risk industries) can be usefully applied to fields where crisis situations are uncommon, but of significant impact (i.e. businesses).

The paper also looks at how stress functions in an individual and considers the tools that can be employed to manage and make decisions, even when under intense emotional stress.

UTILIZING BUSINESS CONTINUITY WHEN OTHER RISK TREATMENTS ARE NOT ADEQUATE

Pages: 31-37 **Author:** Jayne Howe

Abstract:

In the past businesses assumed that risk identification and prioritization, risk treatment and ongoing risk management were all part of the business continuity process.

Now, many organizations realize that business continuity programs are in fact a unique and comprehensive risk treatment that overlays and complements all other risk treatments.

In this paper, the author examines where business continuity efforts can enhance and complement other risk treatments.

RISKS AND SCENARIOS VERSUS RESOURCES: WHY BOTHER WITH AN INFINITE UNKNOWN, WHEN YOU HAVE A FINITE KNOWN?

Pages: 38-43 **Author:** Rainer Hübert

Abstract:

Business continuity management systems should no longer be based on individual risks and scenarios but instead should focus on the identification and protection of critical resources. Whilst risks and scenarios are probabilistic, we can gain the knowledge and information about our resources with certainty.

If the organization is prepared to react properly to the loss of a critical resource, the organization is protected. Rather than working with the infinite unknown of the continuum of risks and scenarios, you now work with the finite and known continuum of the resources the organization makes use of.

This all-hazards approach is supported by ISO 22301 which is based on the principle of protecting organizations against any threat, regardless of its root cause.

RESEARCH ROUNDUP:

SUMMARIES OF RECENT COMMERCIAL AND ACADEMIC BUSINESS CONTINUITY AND RESILIENCY RESEARCH

Pages: 44-52

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RISKS AND SCENARIOS VERSUS RESOURCES:

Why bother with
an infinite unknown,
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By Rainer Hübert

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Author



RAINER HÜBERT, MBCI

Rainer Hübert is a BCM practitioner. As a former German Air Force Officer, he was assigned to a disaster preparedness unit of a multinational NATO outfit in the 1980s and after that has gained more than 20 years' experience in consultancy, working for companies like General Electric, Deutsche Telekom, Allianz, Bertelsmann and many more. Rainer Hübert has a Trade College diploma and studied political science, philosophy and history at university in Duisburg, and economics and business administration at German distance learning universities.

Introduction

It is quite natural that we think about risks and scenarios when we are talking about business continuity management. Risks and scenarios are very obviously a good means to illustrate what BCM is about and, frankly, the motivation to invest in business continuity more often than not stems from our own or others experiences with risks and scenarios having made a dramatic appearance!

However, the day to day life of a business continuity manager rarely deals with occurrences like the tsunami in Japan, the flooding in Thailand, or the attack on the Twin Towers in New York. It's the small things, which do happen all the time all over the world, that not only cost the affected organizations a lot of money, but can actually threaten their existence in the longer term. Such threats are overwhelmingly numerous. I will return to address this subject later in this paper.

Risks and business continuity management

Firstly, let's explore 'risks'. There is a whole industry, which has dealt with risks for centuries: the insurance sector. In the context of its regulatory foundation, Solvency II, Comité Européen des Assurances and the Groupe Consultatif Actuariel Européen have developed and published a document 'Solvency II Glossary' (1), where among other topics we can find an exhaustive, but still incomplete list of definitions of different types of risk (2), 51 in total. That is just one of many documents defining risks in the world. Virtually each and every multinational and national governmental or professional organization dealing with risks, crisis management or mitigation of catastrophe (3) have their own documents naming and defining classes of risks or individual risks.

Fortunately, our profession does have the luxury to be able to ignore most of these risk types. Business continuity managers typically do not deal with financial risks, with market risks or with mispricing risks. We are looking only at risk types such as:

- Calamity risk
- Catastrophe risk
- Reputational risk
- Technical risk.

We typically summarize all the risks related to business continuity under 'operational risk'; these being the risks caused by the mere fact that our organization exists, acts and is affected by its surroundings and actions.

While business continuity managers are only concerned with a portion of the full spectrum of risks, the impacts of operational risks can be very serious. There are the obvious things such as fire, flooding, earthquakes, explosions, power interruptions, epidemic outbreaks and so on. But there are also the so called Black Swans; all the risks nobody thinks of, because they are so unlikely, or have never been known.

What I wish to illustrate with the above is that there are numerous risks present which can affect our organization, and we simply cannot know them all; and we certainly can't prepare for them all. So what we are doing in the part of the BCM Lifecycle called 'Risk Assessment' is at best a pot shot at some of the most obvious things.

The good news is that this was realized by ISO's Technical Committee 223, which recently published the ISO 22301 Business Continuity Management Systems standard. This is focused on the all-hazards principle covering "adaptive, proactive and reactive strategies in all phases before, during and after a disruptive incident." (4)

ISO22301 does not concern itself with preparing against particular risks, instead it is based on the principle of protecting organizations against any threat, regardless of its root cause.

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This is a sensible direction to be taking and means that individual risks are of no vital importance for the development of a business continuity management system.

When you look at the BCM Lifecycle and its proceedings, where is the information about risks that you have identified and operationalized with lots of effort? Which of your contingency plans needs a list of risks? Think about that and you will realize that you don't need risk information for what BCM is mainly about, which is planning for a crisis.

This does not mean that you shouldn't look at risks at all. It does make sense to mitigate the obvious but, in doing so, it should be recognised that these risks are nothing but a side-show; which, by the way, can often be much better handled by the professionals of this trade, the risk managers.

So, if a business continuity manager is lucky and has a working risk management department in his/her organization, he/she should delegate all operational risks to this department as quickly as possible. If this is not possible, a risk assessment will need to be conducted, at least if the organization wants to get its business continuity management system certified.

However, the worst thing one can do is to create the impression that, because a risk assessment has been done and a risk map is available, the organization is now better protected against risks. What business continuity is doing with regard to risks is nothing but a bet to have identified the correct ones and that the preparations against them are sufficient. Unfortunately, often enough exactly those risks hit where there is no preparation, or where the preparations made prove not to be sufficient.

Even worse than the situation with risks is the situation with scenarios (5). The organization that builds its BCM program on the expectation that information about and reactions against defined scenarios will be sufficient to protect the organization against a catastrophe will one day find that this approach is badly mistaken.

Business continuity managers cannot win a war against risks. We cannot guarantee that we have identified all possible risks, and we cannot even guarantee that a risk we have identified and

prepared for will never hurt our organization (6). We might win a battle or two, but we will lose the war fighting against the unpredictable; the only question is when and at what cost.

With this we come to the good news: we don't really need the information about risks to prepare our organizations against catastrophes. What we need knowledge about is what resources our organization requires to operate; and which are important or critical. You then need to protect your resources and prepare for a situation where the required resources are not available. This is completely independent from the reason why the resource may be unavailable.

Whilst risks and scenarios are probabilistic, we can gain the knowledge and information about our resources with certainty.

Whilst risks and scenarios are probabilistic, we can gain the knowledge and information about our resources with certainty. Resources are something we can count; and are something we can manage. We do not need to know one single risk or scenario, when it is our job to protect the organization against the loss of a resource, regardless of why it is lost. This is the all-hazards principle.

If the organization is prepared to react properly to the loss of a critical resource, the organization is protected. Rather than working with the infinite unknown of the continuum of risks and scenarios, you now work with the finite and known continuum of the resources the organization makes use of (7).

When this change of approach to business continuity management is internalized, a different very welcome effect will occur. Since the organization's resources are now the focus of the BCM team, a clear differentiation can be made between the critical resources, which need protection, and the not-so critical resources, which don't. Coming from the knowledge and experience derived from the business impact analysis, which does exactly the same with processes, BCM professionals will want to invest the organization's business continuity funds only where it matters. There will be no need to invest in the protection of a resource, where its loss will not endanger the organization's existence.

So it simply makes sense to define what criticality is with regard to resources, and to implement a process to differentiate critical resources from the non-critical ones. Since the motivation behind this activity is to channel the organization's BCM funds sensibly and efficiently to where it really makes a difference, it has the potential to replace the business impact analysis, which aims for the same, but is based on business processes. The difference is that a classification of resources with regard to criticality is much more straightforward and easier done, than the classification of business processes according to their criticality (8).

Can we know all risks and scenarios and prepare for them? Can we know all situations created by risks or scenarios and prepare for them? Is it economically reasonable to list as many risks and scenarios as possible and to prepare for them? I think, we can answer all those questions with "No!" Let us concentrate on what we can do: protect our organization against the loss of its critical resources, and hand over the risks to the risk managers.

For business continuity managers, risks are irrelevant in themselves, since they only become relevant when they occur and when they have an impact and when this impact results in a damaged, destroyed or inaccessible resource. The resources are what matters.

Of course, what we should not do is to throw away common sense with it. When your organization is located aside a river and its data processing unit is in the cellar, you should point the finger at it and explain the risk and its root cause and try to mitigate the risk. But because this can be done in some cases, it does not mean that it is smart to build your organization's whole business continuity management system on such an approach.

References and notes

- (1) http://ec.europa.eu/internal_market/insurance/docs/solvency/impactasses/annex-c08d_en.pdf, as of 2013.03.08
- (2) For instance climate risk is not listed, just as political risk or country risk is not defined in that document. Interestingly, the term 'risk' itself is not defined in the document. I work with the definition "Risk is the chain of possible events, which can lead to negative deviations from the anticipated or defined target." It may be noted, that there are many other and partly vastly different definitions of risk around.
- (3) In this paper I use the word 'catastrophe' for anything one might call a major crisis, a severe disruption, a grave emergency, or similar.
- (4) <http://www.iso.org/iso/news.htm?Refid=Ref1602>, as of 2013.03.08
- (5) A scenario ... is a synoptical collage of an event or series of actions and events. <https://en.wikipedia.org/wiki/Scenario>, as of 2013.03.08
- (6) Unless we change the business model of the organization or its location; which in the end would only trade one set of risks for another different set of risks.
- (7) Some aficionados of the risk-based approach to BCM try to justify it with just setting the two words 'loss of' in front of each resource and declare it a risk. A nice semantic trick, but it does not change the fact, that we are talking about two totally different things.
- (8) See: Rainer Hübert, 'Why the Business Impact Analysis does not Work', in the Business Continuity and Resiliency Journal, Q2/2012