The Case for a Chief Continuity Officer

Creating a chief continuity officer will elevate the importance and strategic nature of BC and regain control of the process.

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It long has been a central tenet of the business continuity (BC) and disaster recovery (DR) planning industry to emphasize the importance of a senior management commitment for an effective planning process. If you consider the lessons learned from September 11th, the majority of businesses affected by the tragedy identified senior management commitment to the planning process as an integral part of the success or failure in the development and implementation of their plans on that day. In many organizations it is more common to find the responsibility for the development and ownership of the BC plan to be delegated to a mid-level manager with only limited organizational authority with little or no resources. As we have all often heard from too many business continuity planning (BCP) coordinators, "I have the responsibility because I wasn't in the room when the vote was taken." The result is quite often a plan limited in scope, focused on that which can be done easiest, and lacking any strategic alignment to the business and corporate organization.

Reassessing the BC/DR Organizational Structure

Historically and organizationally, it made sense for the data center manager to assume the responsibility for an information technology (IT)-centric planning activity or a building security person to create plans that have a facility and evacuation plan focus. The advent of end-user computing and open environments complicated the planning structure. The data center is no longer the concentration of critical business support systems, and the associated applications and data are subject to new levels of disruption. This has driven the need for BC in addition to the traditional IT disaster recovery planning (DRP) methodologies. As technology became more ubiquitous throughout corporations, companies needed to coordinate the efficiencies and capabilities made possible by technology with corporate business goals and strategic competitive issues. Much in the way that the role of a chief information officer has provided companies a dedicated resource focusing management on the alignment of corporate strategic objectives to the technology issues impacting corporate competitive positioning.

Likewise, as the conceptual framework of BCP continues to evolve from the data center to the enterprise and beyond to external supply chains, vendor management and strategic partnering, there becomes the need to reassess the organizational structures used to implement BCP. It is not uncommon to still find BCP being handled by that data center manager, technology officer or, possibly, a risk manager. It is probably more common yet that no one steering committee or person within the organization has full responsibility for the entire planning process and it is shared among several people addressing it part-time as one of their many hats in a very silo approach.

This lack of focus leads to projects that start but never finish — projects that get restarted every three years because they failed to keep pace with mergers, acquisitions, disposals and other organizational changes. Plans that are developed for one function, office or business but not others, plans that are developed but not tested and those that vary in scope and format across business units are ineffective. In short, the lack of focus results in an out-of-control process that needlessly expends company resources without adequate achievement.

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Creation of an executive position, such as chief continuity officer (CCO), is needed to elevate the importance and strategic nature of BC and regain control of the process. A world-class BC program must integrate recovery of business process functionality, technology DR, site level emergency response activities and human capital crisis plans. These plans must be integrated not only with each other, but also aligned to the strategic and economic objectives of the corporation. BC management then becomes an important strategic process that, when properly implemented, provides a sustainable competitive advantage to the firm.

Changes in the Environment

The competitive environment has changed in ways that also make it imperative for senior management to actively partici-

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pate in BCP. Over the past decade, corporations have aggressively sought to reduce costs to the maximum extent possible. The degree to which technology has been leveraged to allow globally dispersed operations has caused companies to embrace the concepts of lean manufacturing, mass customization and just-in-time logistics. However, these various cost minimization strategies also have eliminated internal process redundancies drastically, increasing operational risk exposures. The results of these competitive decisions to increase margins has had an equal increase in the probability that a serious disruption will affect operations to an extent that the margins will no longer be the issue, but rather survival of the corporate brand.

The regulatory environment also is changing in ways that increase the importance of BCP to corporations. The continuing parade of corporate scandal has highlighted the vulnerability of companies lacking adequate controls. Both investors and regulators are reassessing their requirements for responsible corporate governance. Management is coming under increasing scrutiny and being held accountable in ways never before considered for the performance of their companies. Sarbanes-Oxley requires that management annually assess the control environment. BCP is a key control that needs senior management attention. Failure to properly assess the risk environment and implement appropriate continuity strategies can have far reaching impact.

In the U.K., the Turnbull Act has elevated BC as a board requirement for publicly traded firms to acknowledge on their annual reports — how they have assessed and planned for the risks facing their company. Additionally, privacy regulations here and abroad require the review and assign the responsibility of BCP to senior management. The Health Insurance Portability and Accountability Act (HIPAA) requires management to adequately safeguard nonpublic private data and has specific requirements for BCP. Failure to comply can subject a firm to financial penalties.

Since 1988, banks that trade internationally have been invited to respect the terms of an accord edited by the Bank for International Settlements located in Basel, Switzerland, and signed by more than 110 countries around the world. The new proposed Capital Accord will require financial institutions affected by the Accord to make systems and process changes to comply with the strategic and operational risk requirements. The operational risk definition adopted by Basel is "the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from internal/external events." The accord will ask management to report on how it measures and controls risk. Management will need to quantify risks, associated impacts and implement controls and response programs to reduce loss or exposures.

Executive Responsibility

These are some of the more visible ways in which the business environment is changing, which requires a response by corporations on how they perceive the value of BCP. However, in the final analysis, it always has been the responsibility of senior management to protect and preserve the assets and resources of the company; therefore, is there any more logical place within the organization to place the responsibility for an activity that in its esseuce seeks to understand vulnerability, identify critical functions and devise the means to ensure their continued viability?

Executive management devotes significant time and effort to strategic planning. It sets organizational goals, constantly assesses the competitive environment, and continually strives to advantageously position the firm in anticipation of industry growth or consolidation. Management is uniquely positioned to see the big picture and understand the relationships between customers, suppliers, business process and technology. For these reasons, a CCO provides unparalleled insight into the determination of critical processes and recovery priorities.

Common reasons why many projects fail include poor project management resulting from inadequate authority of the manager. The authority vested in a project manager is often insufficient to overcome organizational resistance to change. The information gathered during the business impact analysis (BIA) process inevitably surfaces a number of inefficiencies and vulnerabilities caused by the procedures and practices of the business unit. Solving these issues requires the ability to implement solutions, which may require cultural change in the way business is conducted. This type of change cannot be led at any other level than the executive level.

BC projects also fail because they are not given adequate resources in terms of time, people or funding. Business unit managers fail to devote resources to the project because the lack of management participation reinforces their concept of low perceived value. At a project level, BCP competes for funding with a project that provides a more immediate and quantifiable cost benefit. A CCO is better positioned to support the strategic arguments needed to justify the planning effort and thereby secure necessary funding.

For these reasons, the time has come for the CCO to be a visible champion for BCP, demonstrating the absolute commitment of senior management to the process. As such, the CCO is uniquely positioned within the organization to secure funding, ensure the availability of resources and overcome many of the obstacles normally encountered. As part of executive management, the CCO will have input to the strategic planning process and will be able translate organizational, competitive, regulatory and legal changes into appropriate strategies for implementation within the BC plan.

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