

## News

# Business Continuity Management in India

White Paper

## About Author



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Amit Abhyankar is an AVP and a Practice Head for Omnitech's Business Continuity Services division. He has total 20 years of professional experience, of which, the past 4 years have been exclusively spent in developing the Business Continuity Services for Omnitech. His present role as a Practice Head involves evangelizing BCM, business development, driving top line as well bottom line growth for the division and identifying strategic geographical locations where Omnitech can offer Business Continuity Services to a global clientele. He has recently been awarded the Member grade by the BCI.

## Introduction

We live in times of unprecedented, unpredictable and rapid change. This has never been true earlier for businesses than it is today. Globally, changes in government and statutory laws, high-impact changes in climate, natural disasters and threats from terrorism are key considerations for businesses in formulating strategies on par with traditional market drivers such as consumer behaviour and competition. Investments in business transformation initiatives are targeted at keeping the enterprise agile and prepared for change, even in the face of the highly unpredictable. Businesses competing globally are taking several steps to ensure predictability in the availability and continuity of their products and services, key among them being Business Continuity Management (BCM). While the emphasis on BCM for global enterprises has existed for a while now, growing businesses in India and emerging markets, are just about waking up to its criticality.

## Executive Summary

In the past decade, businesses in emerging markets, especially India, have come of age and are finding themselves on the world stage, often competing with long time leaders. This expansion in business focus is forcing companies to relook at their critical processes and upgrade them to be on par with their larger global competitors. Companies in emerging markets have proven beyond doubt the cost savings they can provide with their technical expertise and lower costs. However the biggest challenge in this transformation is to prove the quality, reliability and maturity of their products and services. Most Indian companies have done a good job at proving quality and process maturity through certifications such as ISO and CMM. However, not much ground has been covered on the systems reliability and maturity front. Today, CXOs of these companies see an urgent need to tackle it. One of the key steps to do this is to have a tested, documented and continually-reviewed BCM process in place. This white paper will attempt to give pointers to a CXO on the 'What' and the 'How' of BCM, with a slant towards India and emerging markets.

## What is Business Continuity Management?

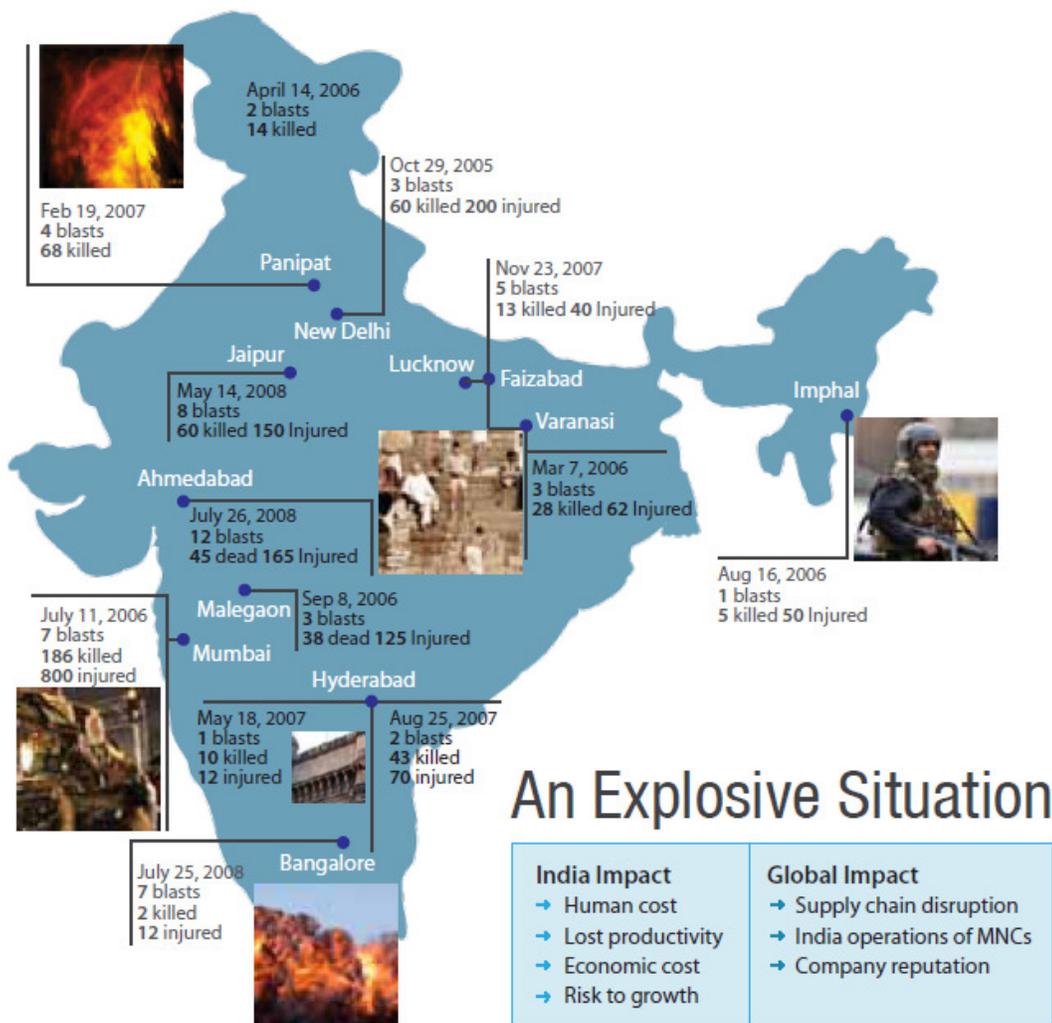
As defined by Business Continuity Institute (BCI) and BS 25999, Business Continuity Management (BCM) is a management process that identifies potential impacts that threaten an organisation and provides a framework for building resilience and the capability for an effective response which safeguards the interests of its key stake holders, reputation, brand and value creating activities.

In India and in emerging markets, BCM is gaining in prominence due to the increasing incidence of terror attacks and threats, strikes and bandhs, climatic disasters, sensitive socio-political situations and pandemic outbreaks. If a business need to keep its customers satisfied, whether they are within the country or outside, it cannot avoid taking a holistic view of BCM. When implemented well, BCM helps minimize losses, creates trust amongst customers and ultimately keeps the business up and running.

It is a common misconception among most companies that Business Continuity Management is all about ensuring continuity when databases and servers crash and cripple the information technology (IT) infrastructure. Consequently, disaster recovery is a function purely dedicated to the IT team. Most companies do not understand or have not thought through the process of what happens if there is a disaster that is not related to IT systems.

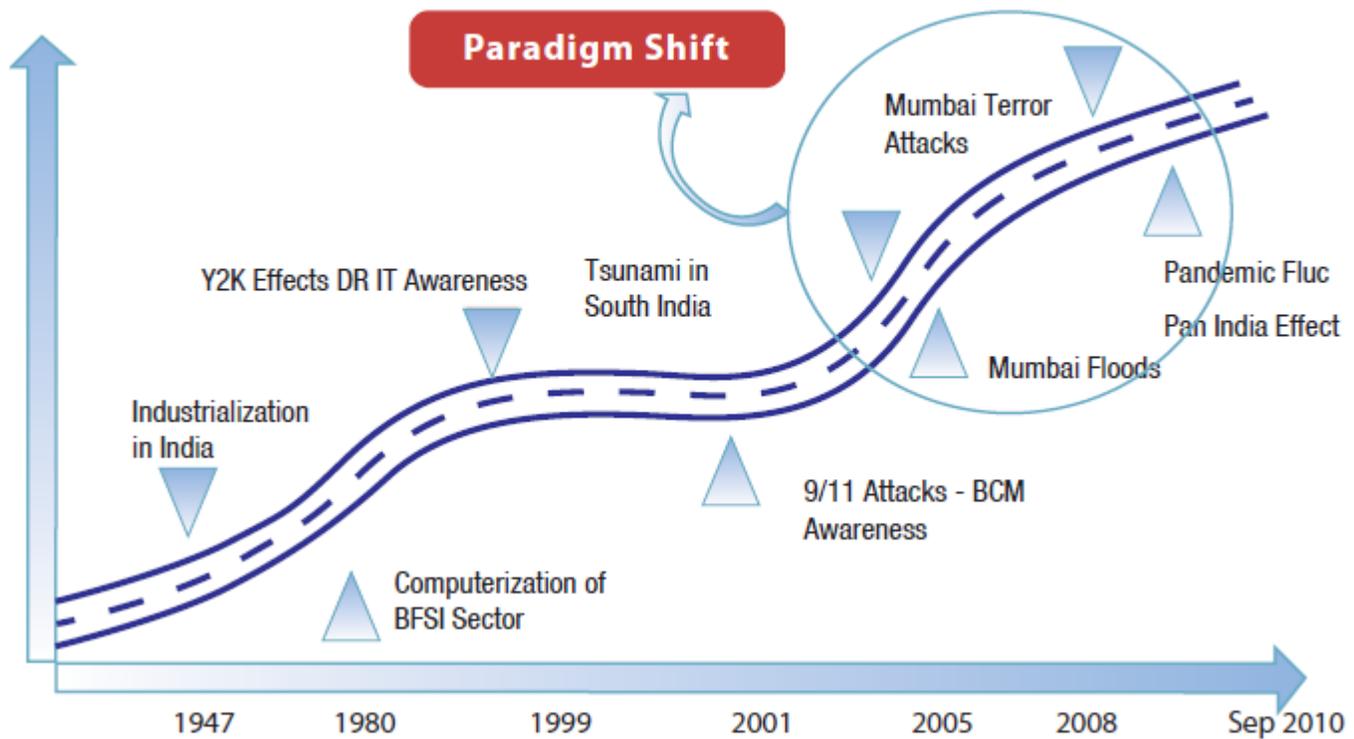
### The emerging markets mindset against BCM

Historically, Indian companies have been relying on the famed Indian resilience built through generations of facing hardships and surviving them. The main reasons for this reactive attitude come from historical factors and cultural temperaments. However as the country moves to the world stage, some of these age old attitudes are being questioned and an urge for change is building up. Indian companies no longer are willing to be in a reactive mode to disasters and are not willing to accept losses to events that are avoidable or risks that can be mitigated. The illustration below shows a series of disasters over the last few years. These unfortunate disasters have accelerated the need to act fast and put the required controls in place.



Source: DNA (Daily News & Analysis)

# Growing BCM awareness in India



## A few characteristics are symptomatic of poor BCM processes in companies in India and emerging markets

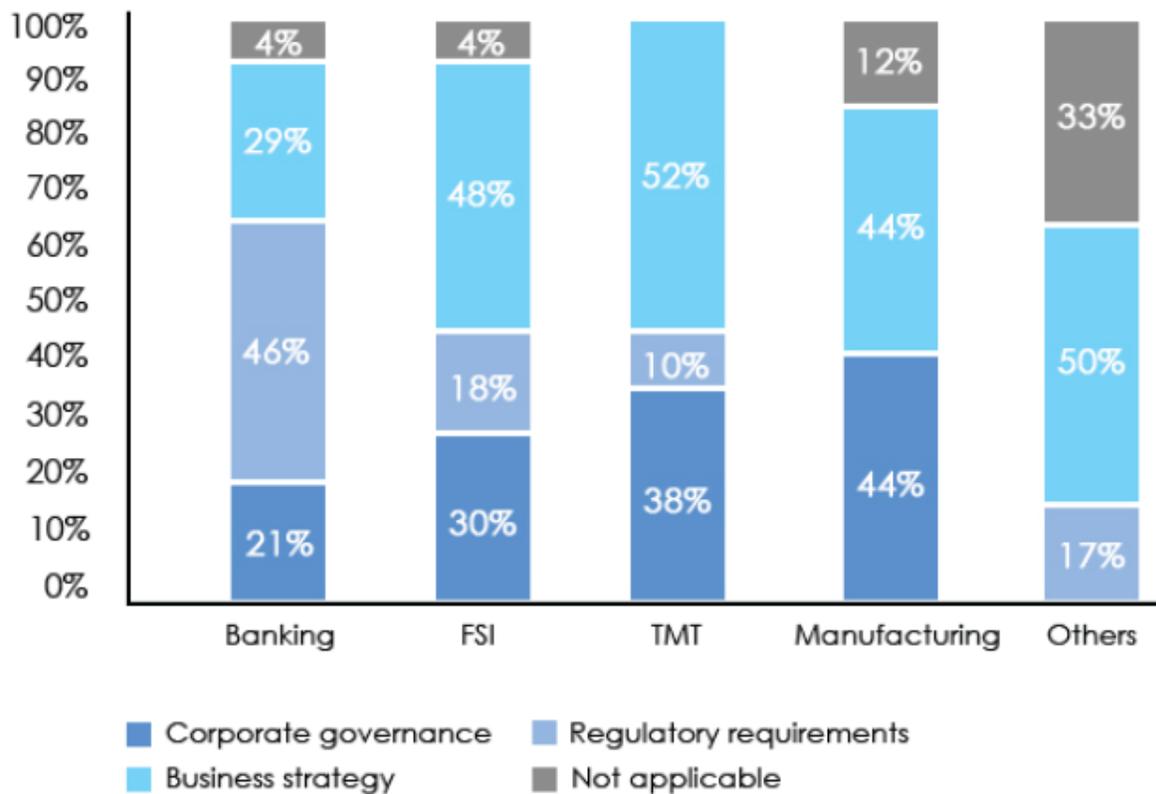
- Lack of maturity and comprehensiveness in the BCM process.
- Inadequate resource allocation in terms of both people and funds.
- Treating BCM as a purely IT problem.
- Absence of third party and vendor assessment process in business continuity plans.
- Scope of business continuity skewed towards IT organization.
- Lack of adequate senior management involvement (again it is CTO or CIO centric).

## BCM drivers

American and European economies have the government and regulatory authorities as the primary drivers for BCM implementation; however Indian companies do not have the same kind of mandates. The simpler mandates that exist in India today are not effective as they come from a number of agencies and industry groups that do not have enough clout to enforce them. Most of the BCM implementations currently in the works are either voluntarily taken up by the companies to protect revenues or driven by the need to satisfy overseas customers who demand proof of BCM implementation. The regulatory framework in India is evolving and it is a matter of time that American and European style regulations start in India too. It might be too expensive for many Indian companies to adopt such standards without having a negative effect on their margin.

The key drivers for the Indian market today vary across verticals (See Picture below), with corporate governance being the primary driver. The other important driver is business strategy. However it is troubling to see that half of them have little or no process in place.

## Key drivers for initiating BCM program

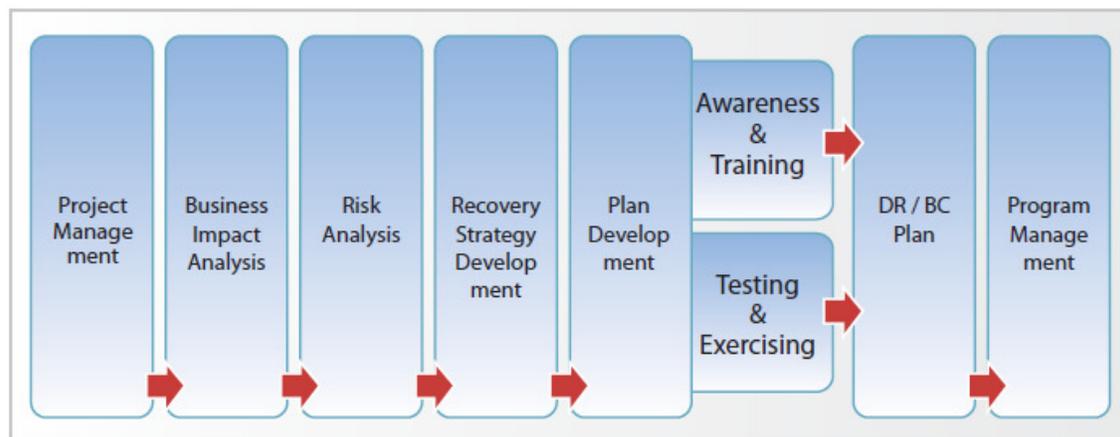


Source: BCI & Deloitte Survey, India 2010

In companies where BCM exists in some form or the other, the aim of the CXO must be to take it much beyond IT related applications such as disaster recovery, crisis management, incident management, emergency management, product recall and contingency planning. In companies where BCM is totally absent, the role of the CXO is herculean, involving a change management exercise starting from the very top of the hierarchy.

### Creating a BCM Process

Generally speaking, the BCM process for any kind of company follows a similar structure. It is important for a CXO to understand what makes her / his company different with respect to its continuity imperatives. In brief, the organizations must adapt BCM strategies which suit their DNA.



Source: BCI Business Continuity Institute

Here are a few pointers to help the CXO to start thinking in the right direction

## Asking the right questions



According to the study of fifteen major disasters done by Rory F. Knight and Deborah J. Pretty, a major catastrophe has an immediate 5-11% impact on shareholder value. How the company manages the crisis and recovers from it has an important bearing on how the stock price recovers after the initial slide. Typically companies that manage the crisis effectively recover the initial slide within fifteen days and in some cases increased in value. This is a very important reason why CXOs should pay special attention to BCM and how it is managed in the organization. In the aftermath of a disaster, the board and the shareholders look up to the top management, especially the CXOs to provide assurances about the value of the company. Being involved in the BCM process will help CXOs reassure stakeholders and stem the decline in the shareholder value of the company. Additionally, this also showcases the ability of the CXO team to deal with a crisis and infuse confidence about the team's ability to deal with future crises.

A few questions CXOs need to ask themselves when starting to set up a reliable process for Business Continuity in their organizations

- How will my company recover from a major disaster like a terrorist attack or a natural calamity, or can it?
- How long will it take for my company to restore operations after a major disaster strikes, and if so at what cost?
- What Critical Business Functions (CBF) does my company need restored immediately after a disaster?
- Will my company be able to survive if it is out of operations for more than XX days?
- Do people in my company know what to do in times of a disaster and after the imminent danger from the disaster has subsided?
- Does my company have a Business Continuity plan that is tested and ready to go in the event of an emergency?
- In the event of a disaster, can our competitors be back in business before we can and consequently take our customers away?
- Does my company have a single, dedicated team that can be relied upon to get the company back on its feet?
- Does my company know the possible risks that could undermine and ruin our business?

## The importance of Risk Assessment

There are two different sciences, practiced and adopted globally, with a seeming overlap in them - Business Continuity Management and Enterprise Risk Management (ERM). Both have evolved from different origins - BCM from the world of Information technology disaster recovery (DR) and ERM from the world of insurance.

BCM is not about identifying, assessing, and reporting EVERY conceivable RISK to an organization and does not indulge in allocating probabilities to event occurrences. It has to focus on identifying the vulnerabilities within organizations (to identified risks) and understanding the impact of unavailability over time of all processes identified as Critical Business Functions (CBF). Hence, in the science of BCM, the step of Business Impact Analysis (BIA) is completed in advance – to identify the organizations most urgent activities (CBFs).

The importance of Risk Assessment in BCM is to evaluate threats to identify concentrations of risk to activities and single points of failure. This helps in determining measures that can be put in place to minimize the likelihood of disruption of the CBFs. Also, the BIA highlights the dependencies in terms of people, processes, and technology for the CBFs - thus allowing risk mitigation to be targeted at right places and thereby improve the ROI in BCM measures.

The formula used for determining the Risk Value is a very simple one:

$$\text{Risk Value} = \text{Impact of (an identified) Threat} * \text{Probability of the Threat (occurring)}$$

However, a lot of seasoned BC professionals find this inadequate as it is not possible to identify all the threats and, secondly, the probability is often a methodical guesswork or plain historic information. Typically, a Risk Assessment scoring system for impacts and probabilities is worked out and the top management approval is taken for the same. The Risks Levels for each threat are determined and prioritized. This helps identify 'unacceptable areas of risk' or 'single points of failure'.

The importance of Risk assessment is to find the weak areas and to come up with mitigation plans to reduce the threat of disruption to the organization's most critical activities!

## Forming the Business Continuity Plan

It is impossible to make a generic yet truly exhaustive list of what goes into a Business Continuity Plan (BCP). Essentially, a BCP needs to be derived out of the specific needs of every individual business. However, a list of fundamental components can form part of a CXOs check-list.

- Ensure that organizational strategy for expansion or contraction and development of new products and services has been clearly spelt out.
- Identify relevant standards, regulations, and legislation that must be included in the BCM Policy.
- Define the scope of BCM - such as product or services.
- Define the objectives and scope of a BCM Policy and ensure alignment with organizational strategy and corporate policy.
- Appoint a member of the executive (Board of Directors/Core Executive Committee) to take up the overall accountability for the organization's BCM policy, capability, and effectiveness.
- Appoint an owner for the BCP (Business Continuity Plan) for each product/service or multiple sites.
- Carry out Business Impact Analysis (BIA); identify the Critical Business Functions (CBFs) and determine the Maximum Tolerable Period of Disruption (MTPD) and Recovery Point Objectives (RPO).
- Quantify the resources (e.g. People, ICT) required over time to maintain the CBFs at an acceptable level and within the MTPD.
- Determine the strategies which the plan will document and what will be documented in other plans (e.g. Incident Management Plan).
- Carry out risk assessment and identify all the internal and external threats that could cause a disruption and determine their probability of occurrence and the extent of impact.
- Using the MTPD and RPO of the BIA stage decide on a Recovery Time Objective (RTO) for the chosen CBFs.
- For achieving this objective formulate a recovery strategy or conduct a gap analysis if such a strategy already exists. Ensure that the adopted strategy is signed off by the executive management including the financial and resource provisioning.
- Create a planning team to carry out the plan development. Decide structure, format, components, and content of the BC plan. Determine the circumstances which are beyond the BC Plan.
- Gather information to populate to the plan. Draft it. Circulate for review. Gather feedback and incorporate accepted changes.
- Schedule exercises, and plan maintenance.
- Test the plans - carry out a technical test and a scenario test and validate that the BC strategies are effective. Document results of the exercises.
- Create familiarity of team members and staff with the various functions they would be expected to discharge in response to an incident. Train and retrain staff till the desired responses are obtained.
- Maintain the plan - at pre-defined periods for changing risk profiles and altering business impact.
- Develop BCM within the organization's culture and monitor the cultural change.

## Involving Stakeholders

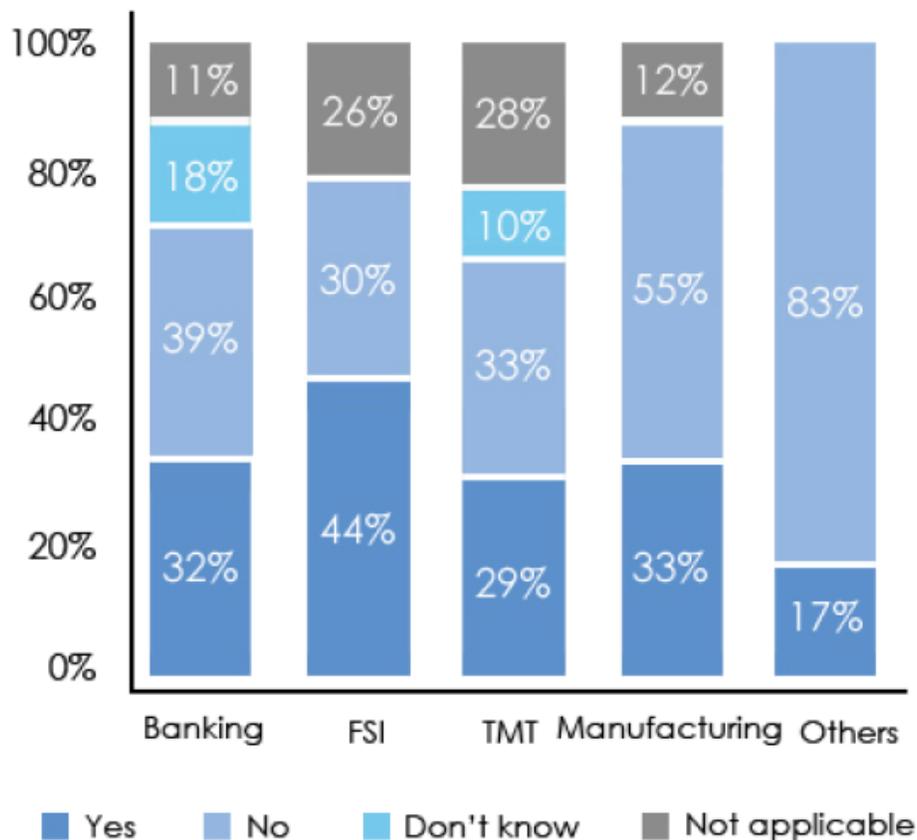
It is extremely important to involve stakeholders at all stages to create an efficient and reliable BCM process, especially during the business impact analysis and risk assessment stages. This is critical not just to get a buy-in from the stakeholders, but also to ensure all aspects of a potential disruption are understood by everyone. In fact, the best practice in involving stakeholders is to allow the plan to originate and be owned by the stakeholders themselves.

## Outsourcing BCM

Large companies, operating from multiple locations, with mature support processes in place, usually have an efficient BCM process. But most companies, especially those in India and emerging markets, lack the expertise to understand the complex and lengthy process of assessing their risks and the resources to come up with and manage a reliable BCM process. Such companies will do well to partner with a BCM expert organization to help them mitigate their risks. Businesses that have less geographically-dispersed locations can also de-risk their geography or location specific risks by partnering with external BCM service providers.

On an average just over a third of the organisations evaluated BCM arrangements at outsourced service provider locations thereby excluding a key constituent required for business delivery.

Third party / vendor BCM evaluation



Source: Omnitech InfoSolutions Ltd.

Indian companies are beginning to understand the need to have a good BCM process. However most of them do not have the right expertise on when and how to start.

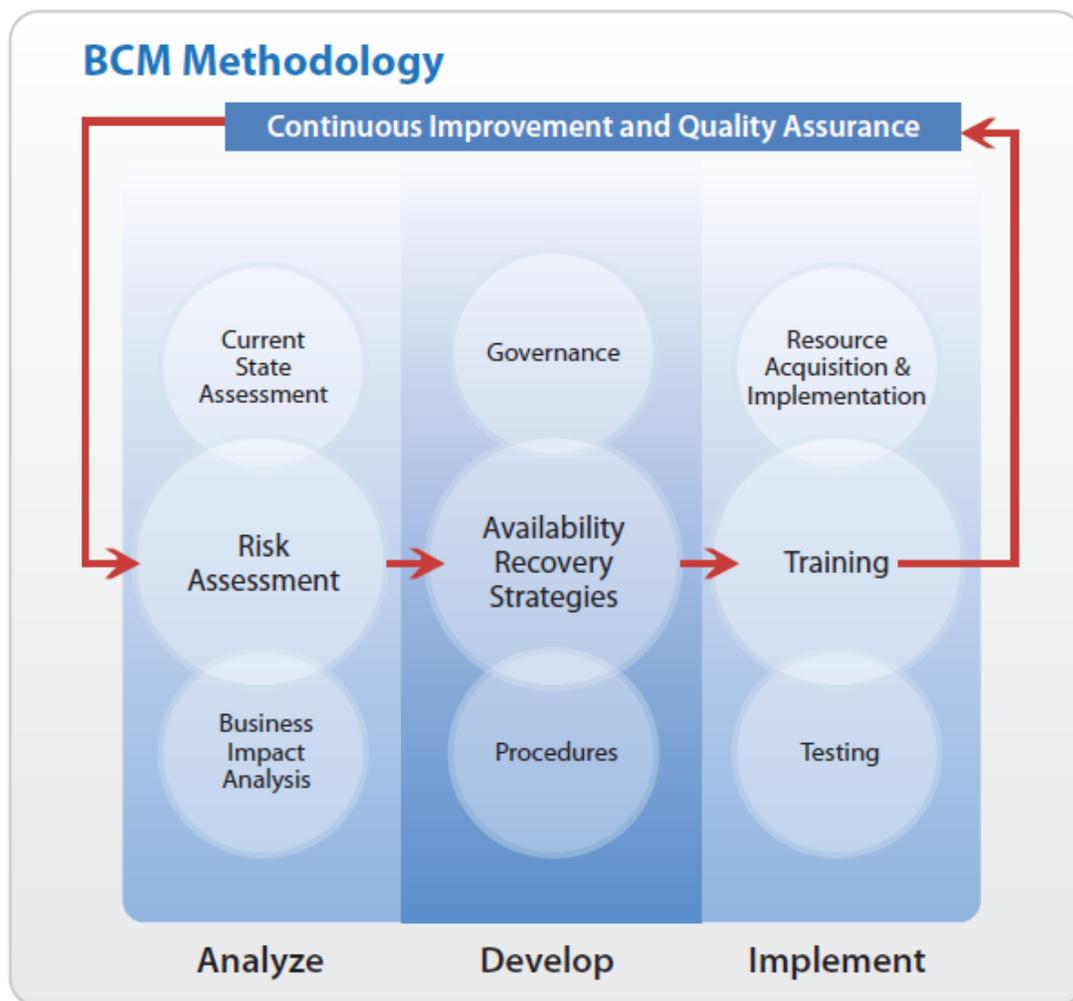
Increasingly, Indian companies are looking to seasoned BCM vendors to help them get the process started.

## What to Outsource?

There are various flavours and types of BCM service providers in the market. Most of these players specialize in Disaster Recovery (DR) for IT-related processes and data backup services. Only selected few BCM vendors have the capability and the infrastructure to address the entire spectrum of BCM for an organization. Typically, these vendors provide three kinds of services:

- BCM Consulting Services: Providing expert advice and guidance in establishing and maintaining a resilient BCM process for the enterprise, including forming the BCP and training people.
- IT Disaster Recovery (IT DR) Services: Backing up IT applications and databases.
- Managed Work Area Recovery (WAR) Services: Provisioning entire work area of a business, replete with physical infrastructure, equipment, data and people.

## BCM Consulting Services



Source: Omnitech InfoSolutions Ltd.

Large enterprises with presence across multiple locations and the ability to dedicate adequate number of people to the BCM function can do with outsourcing BCM Consulting Services to an expert and relying on smaller BCM vendors for disaster recovery and backup services. This applies only to companies that have a mature BCM process and have the right expertise to work out the finer details of a good BCM process. However it is a good idea to engage a reputed BCM vendor to periodic audits of the BCM process and to review if the company's BCM process adheres to industry standards.

Large enterprises that cannot effectively answer the BCM preparedness questions in the earlier section should consider having a good BCM vendor in a more active role at least in the beginning stages. Once the process matures, the BCM vendor can be relegated to a supporting role to augment the areas the enterprise is weak.

Small and medium-sized enterprises feel the need to partner with an external BCM vendor on more levels. As a CXO deciding on what aspects of your organization’s BCM to outsource, you need to take stock of the extent of internal resources your company can dedicate to the BCM process. Typically in smaller and medium-sized enterprises the costs of having a full blown in-house BCM team are higher compared to having it outsourced to a BCM vendor. Just like with large enterprises, it is a good idea to have a good BCM vendor do the work initially. As the process matures in the company, parts of the process that can be done internally can be moved.

Typical services that can be outsourced to BCM vendors based on the size of the company and the maturity of the BCM process.

Size of the Enterprise	Outsourcing Imperatives
<b>Small Enterprise</b>	<ul style="list-style-type: none"> <li>• External consulting for a formal BC plan</li> <li>• Offsite Data storage</li> <li>• IT DR</li> <li>• DR Audit Services</li> <li>• BCM Auditing</li> </ul>
<b>Medium Enterprise</b>	<ul style="list-style-type: none"> <li>• Consulting Services</li> <li>• Offsite Storage</li> <li>• SHARED Alternative Work Area Services</li> <li>• IT DR</li> <li>• BCM Auditing</li> </ul>
<b>Large Enterprise</b>	<ul style="list-style-type: none"> <li>• Managed DR Centers</li> <li>• Managed Captive Centers</li> <li>• DEDICATED Alternative Work Area Recovery Services</li> <li>• BCM Auditing</li> </ul>

### Evaluating a BCM vendor

CXOs looking at outsourcing their BCM process, either in part or full, need to check off the following attributes as ‘desirable’ against a vendor’s name before engaging with them. Each of these factors would gain or lose importance based on how prepared the organization is in the BCM process.

- Reputation
- Product (and Service) Maturity
- Scalability
- Flexibility
- Price
- Features
- Multi location presence (across a country/cross-border)
- Experience & Expertise
- Customer References
- Company Stability

Having an experienced BCM vendor take over large parts of the BCM process and helps the company focus on their primary job of growing the business. However even after outsourcing the BCM process to a reliable vendor, the primary responsibility of ensuring full compliance falls on the senior leadership team. They should be closely involved in monitoring the progress and the adherence to BCM by the various departments in the organization. Periodic reviews of the BCM process and adherence will be helpful to make sure the BCM process is in line with the vision of the company and is updated as per the growth of the company.

## **Conclusion**

In today's competitive world, implementing BCM is no longer a 'nice to have' but is a 'must to have' part of doing business. Companies that understand this changing paradigm are the ones that will survive in the long run and be in business long after their competitors are gone. In a 2002 study published by Oxford Metrica that studied the shifts in share prices due to crisis events found there was a 40% chance of experiencing negative shareholder value compared to 30% due to market fluctuations. The study further shows that management of the crisis and its aftermath by the leadership team determines how the share price of the company bounces back. Unfortunately, the importance of BCM is well understood, only once the company goes through a disaster and comes out of it. However, companies may not have the luxury and capacity to survive such an acid test and realize the importance of BCM. It makes better sense to be prepared than sorry, as the stakes of inaction are too high.

## **About Omnitech**

Omnitech is a global IT solutions and services provider company in the areas of business availability, business continuity and business enhancement services. With over 23 years of fostering client relationships, we at Omnitech are agile to establish the best global credentials through world class quality certifications. Besides the conduct of ISO 9001:2008 for quality management, we have also gained ISO 20000, ISO 27001 and BS 25999 standards.

As an intensely technology focused company, Omnitech banks upon its ability to anticipate and address IT requirements across business in a cost effective manner. Omnitech InfoSolutions helps customers to align their IT with their business goals and offers value added services at different phases of their IT planning and deployment cycle. We help them to derive optimum utilization of their IT resources and lower their cost of operations. Within the broad direction, Omnitech innovates in order to compete successfully. Emerging as a pioneer in business continuity services, Omnitech introduced first of its kind disaster recovery centre in India meeting all the global standards, thereby demonstrating both its knowledge of technology and skills of implementation.

## **References**

- The BCI Good Practice Guidelines 2008
- BS 25999 Standards published by the British Standards Institution
- The Impact of Catastrophes on Shareholder Value, (1996), by Rory F Knight & Deborah J Pretty, Templeton College, University of Oxford, commissioned by Sedgwick.

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