Ready for the challenge
Integrated governance – the key to effective business continuity management
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Business continuity management: business and information technology integration

A comprehensive business continuity management (BCM) program, which incorporates business continuity (BC), disaster recovery (DR) and crisis management, is a must for complex, growing and global business organizations. Many organizations are recognizing the benefits and investing in comprehensive BCM program development rather than merely developing tactical plans focused on regulation compliance. In today’s global economy, virtually every aspect of a company’s operation is vulnerable to disruption, and the risk and cost of disruption extend well beyond information technology (IT). Ernst & Young’s BCM advisory services include developing the framework, process, procedures and tools necessary to manage a coordinated incident response, maximize personnel protection, reduce risk of data loss, oversee the recovery effort defined by critical business needs, and continually learn from the experience and improve.

As we evaluate components of the BCM program across numerous organizations and consider what makes the programs succeed or fail, the most common problem we see is the lack of governance integration between the elements of BC and DR.1 This lack of unified governance often leads to disconnected BC and DR initiatives, as well as misalignment of business direction and technology strategies, which could hinder timely recovery after a disruption.

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Think about the concept of BC and DR integration within your own organization

- How many times have your business owners assumed that IT backs up all information and can quickly and successfully recover it after an interruption?
- How many times has your IT team implemented a recovery solution that does not meet the needs of your business?
- How many times has your business leadership supported IT’s request for DR funding?
- How many times has IT informed management and other personnel about the interdependencies of the critical systems and applications?
- How many times have you considered the ramifications if people are not available to support IT systems and business processes?

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1 This white paper is solely focused on the BC and DR elements of the BCM program. While crisis management is an integral part of the BCM program, it will be addressed in future studies. This white paper is based on research conducted by Ernst & Young on BCM standards, leading practices, industry trends and interviews with BCM practitioners and subject-matter resources on their experience in the industry.
In August 2011, the Insights on IT Risk thought leadership series published Ernst & Young’s perspective on BCM leading practices and industry trends. It provided leading practices embraced by companies that have the ability, preparedness and level of confidence to effectively manage an emergency situation to protect life and prevent an escalation of the situation. First on that list is the implementation of the governance model for the BCM program. This leading practice emphasizes the importance of having a clearly defined governance model to provide the executive accountability, define the roles and responsibilities and align the BCM program with the company’s overall direction.

Establishing an integrated governance model for a BCM program is not a simple undertaking, though. According to the Ernst & Young 2012 Global Information Security Survey (GISS), 17% of the respondents say their organizations do not have a BCM program in place, and of the respondents whose organizations do have a BCM program, only 25% of respondents believe that their programs reflect a leading practice approved by senior management with defined standards and guidelines, roles and responsibilities, and tools and techniques.

Even though most organizations have some elements of a BCM program, very few can boast of one without governance challenges. For organizations without a BCM program, statistics are alarming. Studies show that two out of five businesses that experience a disaster go out of business within five years. For organizations that can effectively respond to and manage a disaster, a critical success factor is strong commitment from senior executives and the establishment of a BCM governance process. This paper analyzes and addresses the root causes of a lack of governance integration between BC and DR programs and the effect of not having this integration.
Which of the following statements apply to your organization’s business continuity management strategy and program?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Includes procedures for recovering critical business functions (including the ICT infrastructure)</td>
<td>64%</td>
</tr>
<tr>
<td>Identifies all critical business functions along with the required recovery times, minimum service levels and key resources</td>
<td>58%</td>
</tr>
<tr>
<td>Includes procedures and supporting resources to help ensure the safety of personnel</td>
<td>51%</td>
</tr>
<tr>
<td>Is validated through testing on a periodic basis (including ICT recovery)</td>
<td>45%</td>
</tr>
<tr>
<td>Reflects an engagement with critical third-party service providers to enable the continuity of critical functions and the supply chain</td>
<td>39%</td>
</tr>
<tr>
<td>Incorporates an engagement with emergency responders supporting business continuity and the safety of personnel during disruption events</td>
<td>38%</td>
</tr>
<tr>
<td>We have appropriate resources to sustain our BCM capability</td>
<td>35%</td>
</tr>
<tr>
<td>Utilizes mass notification and/or social media technology to communicate internally or externally during emergencies or disruptions</td>
<td>29%</td>
</tr>
<tr>
<td>Reflects leading practice approved by senior management and defines roles, tools and techniques</td>
<td>25%</td>
</tr>
<tr>
<td>We do not have a BCM program (e.g., BCMS) in place</td>
<td>17%</td>
</tr>
<tr>
<td>Utilizes BCM-specific technology tools to manage, analyze and report BCM information and program status</td>
<td>14%</td>
</tr>
<tr>
<td>Is certified to a leading BCM standard (e.g., BS25999 – 1:2006) or is planned to be within the next 12 months</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Survey results from Fighting to close the gap – Ernst & Young’s 2012 Global Information Security Survey (www.ey.com/giss2012)

2 www.ey.com/giss2012
The common challenges in BCM governance

Numerous challenges exist in achieving effective BCM governance. Listed below are the most common challenges, the corresponding root cause analysis and the leading practice solutions.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Root cause analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of senior management support</td>
<td>Because BCM is non-revenue generating, it may be considered a low priority. Thus, time and money may not be appropriately allocated.</td>
</tr>
<tr>
<td>Leading practices suggest: Executive support should be present in all phases of the BCM life cycle. Senior management support and strategic alignment to the company goals are essential to the success of the BCM program and also demonstrate the endorsement of the BCM initiatives to the organization.</td>
<td>• Lack of dedicated BCM professionals within the business. Business owners designated to manage their BC plans do not focus on BCM; it is one of their many roles to support day-to-day business. A business owner’s point of view on BC planning can be very tactical rather than strategic.</td>
</tr>
<tr>
<td>Research shows: A BCM program, which is non-revenue generating, is often not the priority of executive management and business owners. A 2011 Disaster Recovery Journal survey showed that only 28% of the organizations surveyed exhibited participation from executive management. A common problem is the lack of a clear mission statement and direction to drive the BCM program and to foster commitment from all levels of the organization.</td>
<td>• Lack of a BCM governance structure in place to define the overall organizational accountability and responsibility for the management of the program. The lack of a structured governance model places most of the responsibility on a few BCM-conscious individuals.</td>
</tr>
<tr>
<td>• Senior management has not officially chartered the BCM program through the definition of:</td>
<td>• BCM policy</td>
</tr>
<tr>
<td>• BCM policy</td>
<td>• Program mission statement, vision and direction</td>
</tr>
<tr>
<td>• Program mission statement, vision and direction</td>
<td>• Allocation of budget and funding</td>
</tr>
<tr>
<td>• Allocation of budget and funding</td>
<td>• Key performance indicators</td>
</tr>
<tr>
<td>• Key performance indicators</td>
<td>• Consistent methods and tools</td>
</tr>
</tbody>
</table>

Ernst & Young recommends: Establish a governance model with senior management involvement and accountability

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Root cause analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unclear roles and responsibilities</td>
<td>The governance model will define the overall organizational accountability and roles and responsibilities for the management of the BCM program.</td>
</tr>
<tr>
<td>Leading practices suggest: A clear definition of roles and responsibilities will establish ownership and accountability in a BCM program, which is essential to the success of any program. Identification, documentation and communication of roles help to ensure that people know their roles throughout the life cycle and that they do not make assumptions about which resources should be responding.</td>
<td>• Many organizations do not have a BCM awareness program to improve awareness and help employees understand their roles and responsibilities during and after a disruptive event.</td>
</tr>
<tr>
<td>Research shows: In most organizations surveyed, there is no clear definition of roles and responsibilities. People from the business and IT often make incorrect assumptions about roles or expect others to take responsibility to execute tasks necessary for recovery.</td>
<td>Ernst &amp; Young recommends: Establish a governance model with defined roles and responsibilities</td>
</tr>
</tbody>
</table>
### Challenge

**Conflicting priorities of the business**

Leading practices suggest: A central point of authority is required to oversee the prioritization of critical business processes across the organization to align with the company’s strategic objectives and to base that prioritization on the greatest risk(s) to the company.

Research shows: During the business impact analysis (BIA), business owners typically consider only the requirements of their business function and do not consider the entire business and the criticality and priority of other functions. Such a situation leads to conflicting priorities across business units.

Research shows: The organization’s priorities and goals are not aligned, and consequently, BC and DR strategies and plans conflict.  
- Processes to support the prioritization of recovery across the organization are nonexistent, and the BIA approach is fragmented across business units rather than integrated.  
- There are no procedures to conduct in-depth understanding of internal and external dependencies, including upstream and downstream dependencies.  
- No entity exclusively manages the day-to-day BCM-related activities, leading to a poor resolution of conflicts between businesses.

**Ernst & Young recommends:** Collaborate across business units to align prioritization with the overall organization strategy

### Challenge

**Ineffective coordination between the business and IT**

Leading practices suggest: Integration and effective coordination between the BC and DR teams are necessary to make sure that the business and IT teams understand each other’s expectations and develop a mutually beneficial BCM program based on overall risk and impact.

Research shows: The business and the IT team responsible for the DR plan do not coordinate effectively.

- Ownership of the BCM program is unclear.  
- IT ownership of the BCM program results in a non-holistic approach.  
- There is no communication channel to facilitate dialogue between the business and IT.  
- Business recovery requirements are not articulated to the IT team; IT recovery capabilities are not available to the business teams.  
- There is only limited documentation and awareness of BCM procedures and policies.

**Ernst & Young recommends:** Integrate efforts between business and IT through effective communication

### Challenge

**Constant changes in the business and in IT**

Leading practices suggest: The BCM governance program should support the continual update and upgrade of the BCM program from infancy to maturity. It should track the changes in the business and IT side and regularly assess and communicate the corresponding risks. The BCM team in turn should have procedures to incorporate these changes into their change management life cycle. As a result, risks arising due to changes will be covered appropriately in the BC and DR plans.

Research shows: In many organizations, changes affecting the business and IT are frequent. However, organizations are often slow at communicating these changes to the BCM team. Also, the business and the DR team fail to communicate the changes in their domain to each other.

- Placement of BCM in the organization’s hierarchy is unclear.  
- Involvement of senior management is limited.  
- The organization lacks a unified governance structure and a culture that promotes the need for regular reviews.

**Ernst & Young recommends:** Promote a culture of quick change adoption for continuous improvement
The intersection of governance and the BCM life cycle

BCM program governance refers to the set of policies and roles and responsibilities to oversee and manage the successful execution of the BC program and the DR program throughout the BCM life cycle.

A BCM life cycle has six phases: plan the program (Plan), assess the impact and risk (Assess), develop the continuity and recovery strategies and plans (Develop), implement the continuity and recovery strategies (Implement), exercise the plans (Exercise) and maintain the plans and the overall program (Sustain and Maintain). By virtue of a life cycle, there are continual sustain-and-maintain activities to help ensure that the BCM program remains viable over time. Governance plays a significant role in each of these phases and the transition from one to another. Without governance, there will likely be disorder in the BCM life cycle activities.

Integrated governance within the Plan and Assess phases means sponsorship and support from executive management, aligned priorities among businesses, and coordination between business units and DR teams. This leads to the identification and protection of critical business functions. Integrated governance of the Develop and Implement phases helps ensure well-defined roles and responsibilities across the teams. This is key to carrying out a well-coordinated recovery effort to meet business and IT objectives and minimize the impact of an outage. Finally, integrated governance of the Exercise and Sustain and Maintain phases supports a process to effectively conduct plan reviews and spread BC and DR awareness among employees. This promotes increased preparedness to address threats and risks.
The root causes of common BCM challenges relate and overlap. Because BCM should be a strategic initiative, addressing these root causes should be imperative to senior executives. The recommendations in this white paper take a strategic approach to align with a company’s overall goals. Implementing these recommendations as a whole will help organizations develop an integrated and effective governance structure for their BC and DR programs, thus promoting a better understanding of the organization, reduction of costs, protection of reputation and brand, and sustainment of vital activities.

Figure 3
Recommendations aligned to leading practices to address the issues

<table>
<thead>
<tr>
<th>Common issues identified</th>
<th>Ernst &amp; Young recommended practices and intended results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of senior management support</td>
<td>Establish a BCM governance structure</td>
</tr>
<tr>
<td>Unclear roles and responsibilities</td>
<td>Increased and sustained senior management involvement</td>
</tr>
<tr>
<td>Conflicting priorities of the business</td>
<td>Clearly defined roles and responsibilities</td>
</tr>
<tr>
<td>Ineffective coordination between the business and IT</td>
<td>Integrate efforts between business and IT</td>
</tr>
<tr>
<td>Constant changes in the business and in IT</td>
<td>Create a culture of quick change adoption</td>
</tr>
<tr>
<td></td>
<td>Continuous improvement of the BCM program</td>
</tr>
</tbody>
</table>
A hybrid governance structure is ideal, as it consists of three components with respective responsibilities: a steering committee, a BC team headed by the BC manager, and the working committee.

Establish an effective BCM governance structure

An effective BCM governance program has a well-defined composition and structure. An organization should be aware of where its BCM program fits in the organizational hierarchy and choose the right people to facilitate governance.

A member of the senior leadership team should serve as the executive sponsor and owner of the BCM program. We recommend that the BCM executive sponsor be someone outside of the IT organization, such as the head of risk management, human resources or finance. Establishing this critical role outside of IT will assist in maximizing the support of the business units, whose participation is necessary to implement the program.

We observe three governance models in practice. Each of them can be successful if the proper components are in place as outlined in Figure 4 below:

- Centralized model: a centralized team directs BCM activities globally.
- Decentralized model: the business units oversee their own BCM activities.
- Hybrid model: a central team develops the global framework, and the business units implement it.

Figure 4
A hybrid governance structure

The steering committee comprises people responsible for approving budgets and making major decisions. The BCM manager, supported by the BCM team, functions as a liaison between the business units and the decision-makers. The working committee comprises people responsible for implementing the BCM program, with guidance from the BCM team.
Steering committee: A hybrid governance structure (see Figure 4) can be adapted to suit an organization’s culture and current structure. In the suggested structure, the steering committee, a primary component of BCM, has the authority and accountability of the BCM program. Steering committees typically include one or more C-suite executives, the business owners, the head of IT, and a designated BCM manager.

In organizations with active enterprise risk management (ERM), it is good practice to include the chief risk officer (CRO) in the organizational steering committee, because the CRO:

- Is influential
- Understands the business continuity risks
- Has an inherent role to represent the risks associated with BCM

Depending on an organization’s culture, the BCM steering committee can choose to meet exclusively for BCM-related activities. However, to accommodate the varied demands on executives’ time, organizations can also opt to discuss BCM as an agenda item in organizational steering committee meetings, where the members are the same as the BCM steering committee.

The main responsibilities of the steering committee are:

- Making sure that the objectives and action points of the BCM program are aligned with the overall goals and objectives of the organization
- Setting BCM-related roles and responsibilities for the executive management, BCM manager, and business unit and IT leads
- Overseeing the budget, resource allocation, scope and timeline for all planned BCM activities
- Helping the BCM manager, business owners and IT resolve conflicts and align recovery priorities
- Supporting the BCM program and all its phases to motivate the employees and help embed BCM into the organization’s culture
- Sustaining and maturing the BCM program

BCM team led by a BCM manager: A BCM manager oversees and manages the day-to-day activities of BCM. The manager and team are responsible for keeping the steering committee involved and motivated throughout the BCM life cycle by supporting life cycle activities and providing program updates.

Consideration for the role of the BCM manager:

- It is ideal to appoint a manager who works full time on BCM. Organizations that cannot afford a full-time manager can assign the responsibilities of the manager to a senior manager, who works part time toward BCM.
- The appointed manager must be a BCM specialist who also understands the business.
- Depending on the size of an organization, the manager’s role could be assigned to one person or to a few people who work together to fulfil the role.

Working committee: BCM program enablers are provided by working committees, composed of representatives from the businesses, IT and other departments such as facilities, HR, legal and security. Depending on the size and structure of an organization, there can be one committee or several. Committee members help the BCM team develop tools and insights from their respective domains to move the BCM program forward.

The working committee should have representation from the business, IT, facilities, HR, legal, security and other areas.
Integrate efforts between business and IT

Business continuity and disaster recovery must be driven by the organization's objectives. BCM initiatives across an organization are often executed in silos, potentially leading to a fragmented program with misaligned priorities. A successful program leverages its integrated governance to promote effective communication among the businesses, between the business and IT team, and between the BCM team and the decision-making executives.

As BCM liaisons of the organization, the BCM manager and team take responsibility for defining processes that facilitate the incorporation of the BCM effort into the organization. The nature of the working committee, with representatives from different areas of the organization, promotes partnership in defining the BCM framework. At the executive level, the steering committee must make sure that BCM is integrated with other related disciplines, such as enterprise risk management and security.

Managing the varying priorities of the corporate, IT and business areas of the organization can be a challenge. Having executive sponsorship to align the BCM effort with overall company goals provides the foundation. It is through BCM team and steering committee collaboration that priorities become aligned.

The BCM steering committee must be involved during various phases of the life cycle to help ensure that business continuity and disaster recovery priorities and documented plans are aligned with the organization's overall strategic goals and objectives. The BCM manager must keep the executives involved and motivated by presenting a relevant business case for BCM-related issues. The BCM team must facilitate effective collaboration and conflict resolution among the participating entities.
Create a culture of quick change adoption

BCM is an ongoing process, and the planning activities should keep up with the ever-changing needs of your business. This should take into account the changes within the organization (e.g., M&A, team restructuring), the changes in the IT infrastructure (e.g., IT transformation, system upgrades and retirement), and turnover of BCM professionals and business unit leadership. Turnover has an impact on the BCM program because efforts and knowledge can get lost, stunting the program’s progression to maturity.

The governance model should support the quick transitions these changes demand through a change management process. This helps ensure that changes are identified, risks are revisited and essential modifications are made to the BC and DR plans.

A sustainable BCM program continuously identifies and manages its organization’s risks. On a regular basis, BIAs and strategies are revisited, threats and risks are reassessed, plans are reviewed, exercises are conducted and metrics are reported to help ensure the BCM program is addressing the current environment and future state of the organization. Governance must facilitate knowledge transfer and awareness across the organization and promote a culture of proactive risk management.

Organizations must have a proactive BCM team, a strong governance model and clearly defined change management processes to support the fast and continual changes that might impact BC and DR plans, roles and responsibilities.
Is your program integrated?

Integration between the business and IT is a critical success factor of the BC and DR programs. This integration is best achieved through a strong executive commitment to the programs’ successes through the definition of:

- BCM policy and vision that aligns with corporate objectives and strategy
- Governance model with defined roles and responsibilities for business areas and IT
- Consistent standards and guidelines, enterprise framework, methods and tools
- Communication protocols to facilitate collaboration between business and IT teams
- Prioritization of critical resources based on an holistic view of risks and impacts
- Continuous improvement initiatives to update and upgrade the BCM program

The successful implementation of these recommendations will maximize collaboration between the business and IT, allow for senior leadership to participate and make risk-based business decisions, and minimize assumptions that could lead to issues in the recovery process.
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