For Want of a Nail: Are You Really Prepared?

Richard Long, Senior Advisory Consultant, MHA Consulting

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KEY FACTS

- 20 Years in operation.
- 20 Average years industry experience.
- CAPABLE Comprehensive suite of services.
- GLOBAL Diverse, global client base.
- SAAS Compliance and risk tools.

A 20-year proven track record of applying industry standards and best practices across a diverse pedigree of clients.

A simple mission: Ensure the continuous operations of our clients’ critical processes.

We seek to partner with clients who have a commitment to BCM versus a check the box mentality.

SaaS Tools: BIA On-Demand, BCM One, Compliance Confidence, Residual Risk.

SENIOR LEADERSHIP

MHA Consulting’s senior team has an average of over 20 years of industry relevant experience in the areas of Business Continuity, Disaster Recovery, and Project Management.

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## UNIQUE OR COMPETITIVE ADVANTAGE

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THE BIG PICTURE

Risk

Resilience

Maturity

Compliance

Readiness
• We often see companies devise excellent strategies for their business continuity and IT/disaster recovery planning but meet with failure due to small lapses.

• In this session, we’ll look at the importance of being meticulous in executing your BC and IT/DR plans and share some tips to help you avoid losing your kingdom for want of a nail.

Do you remember the old proverb about the nail and the kingdom?

• For want of a nail the shoe was lost.
• For want of a shoe the horse was lost.
• For want of a horse the rider was lost.
• For want of a rider the message was lost.
• For want of a message the battle was lost.
• For want of a battle the kingdom was lost.
CRISIS SPECTRUM

OTHER: Catastrophe 1.01%; Casualty Accidents 0.14%; Financial Damage 0.14%; Hostile Takeover 1.64%; Labor Issues 0.14%; Sexual Harassment 0.48%
RECOVERY AND PLANNING PRIORITIES

CURRENT, COMMON RISKS

• **HUMAN ERROR:** No process or checks will stop mistakes. The beauty and curse of humanity.

• **INTENTIONAL:** Knowingly taking shortcuts or not following known procedures.

• **UNINTENTIONAL:** Physical errors or mental or cognitive errors; where you do the wrong thing believing it to be right (i.e., making the wrong decision).

• **DATA BREACH/RANSOMWARE:** Occurs every day.

• **BRAND IMAGE/REPUTATIONAL DAMAGE:** Examples are airlines, fast food, telecom.

• **TECHNOLOGY OUTAGES:** Examples are airline issues, cloud-based services, etc.
RECOVERY AND PLANNING PRIORITIES

- Life Safety
- Incident Stabilization
- Property Preservation
- Restoration of the Business
THE LIMITS OF STRATEGY

“Not to worry boss, I’ve got everything we need for our hurricane disaster preparedness plan!”
Work from home strategy.

- Enable them to continue their operations remotely should they lose access to the facility.
- The strategy was well thought out and the company had put a lot of resources into setting it up.
- Employees had been issued company laptops.
- The IT department had provided the staff with the capability to access the company’s systems remotely, via web access or VPN.

The nail?

- Half or more of the staff left their company laptops in the docking stations at their desks when they went home at night.
EXAMPLE #2 – IT/DR

SPOTTY EXECUTION

- IT team assures us that they have a good DR strategy and that they are able to recover the company's servers.
- They further assure us that everything has been tested.
- The nail?
  - Only the minimum number of servers for an environment are included.
  - All necessary production servers are not being replicated to the DR site.
  - Basic functionality will be available, but middleware servers and external facing (public) servers will not.
- The technical strategy is good, but the execution is spotty, with a severe impact on functionality.
There is a DR Plan. It is reviewed yearly and signed off.

Documentation is kept on file shares or SharePoint.

The nail?
- File share or SharePoint not highly available; is part of the recovery. At event time, the plans are unavailable.
- The plans are audit documents, not execution focused.
- The tasks were done to meet a requirement, not to ensure functional capability.

Box is Checked
OTHER AREAS TO EVALUATE - SPECIFIC COMPONENTS

STAFFING/PEOPLE

- Limited resources (Pandemic)
- Single Points of Failure/Loss of key staff
- Staff or teams are critical/time sensitive
- Minimal staffing for each process/department
- Family/Dependent needs may impact staffing
- Public visibility of staff and leadership
- Remote work/alternate locations are specifically defined
  - NOT we will figure it out during an event
Other Areas to Evaluate - Insurance

Insurance

- What insurance is in place (this may be Risk Department responsibility)
- Reporting/Notification requirements per policy
- Cyber Insurance
  - A single event can cause multiple millions of dollars of impact
- Business Interruption
  - Increase costs (supplies, staffing, transportations, etc.)
  - Lost/Delayed revenue; cash flow
- Liability
OTHER AREAS TO EVALUATE - VENDOR

THIRD PARTY/VENDOR RISK

• **Supply chain dependencies**, exposure, and redundancies (US and abroad)
• Increasingly impactful **man-made, technology and natural disasters**
• **Globalization** – requires focus on global disaster events
• **Reputational liability** linked with vendors, partners and customers
• **High reliance on critical information systems/services**, some of which are externally supported/in the cloud/hosted by and linked
• **Concentration of critical functions in fewer facilities** increases location risk (e.g., outsourced shared services vendors)
• Changes associated with **mergers, acquisitions and divestitures** can impact vendor resiliency
• Vendor resiliency focuses on **both** the resiliency of an organization’s vendors as well as an organization’s own resiliency to meet its requirements as a vendor
• Meeting **FFIEC Appendix J -Third Party Management** standards
WHAT ARE SUPPLY CHAIN RISKS?

DEMAND RISK
- Loss of major accounts
- Volatility of demand
- Concentration of customer base
- Short life cycles
- Innovative competitors

SUPPLY RISK
- Dependency on key suppliers
- Consolidation in supply markets
- Quality and management issues arising from off-shore sourcing
- Potential disruption at 2nd tier level
- Length and variability of replenishment lead times

PROCESS RISK
- Manufacturing yield variability
- Lengthy set-up times and inflexible processes
- Equipment reliability
- Limited capacity/bottlenecks
- Outsourcing key business processes

NETWORK/CONTROL RISK
- Asymmetric power relationships
- Poor visibility along the pipeline
- Inappropriate rules that distort demand
- Lack of collaborative planning and forecasts
- Bullwhip effects due to multiple echelons

ENVIRONMENT RISK
- Natural disasters
- Terrorism and war
- Regulatory changes
- Tax, duties and quotas
- Strikes

OTHER AREAS TO EVALUATE - SUPPLY CHAIN
TIPS TO HELP YOU IMPROVE

Make sure your company’s excellent recovery strategies are not undermined by poor execution

01 Identify areas that may look good but actually have significant functionality gaps.

02 Start looking at how functional you are and not just what boxes have been checked.

03 Test end to end, taking a function and exercising it all the way through.

04 Do more integration testing; test interactions between systems and processes.

05 Include remote locations in your testing, not just the facility where your data center is.

06 Do more ad hoc testing, where there is no advance notice and special preparations.

07 Use all levels of staff in your exercises, not just the SMEs and top technical people.
Questions?

Thank You!

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