When the music stops, everyone sits down!

Steve O’Neal
Agility
Mark Carroll
IR+M

Where should BC sit?
Where should BC sit?

- Pre-poll
- Where should BC sit today?
  - IT
  - Risk
  - Audit (Internal)
  - Legal
  - CISO
  - Facilities
  - Physical Security
  - Finance
  - ...
- How many different reporting relationships have you had in (say) the past 5-7 years?

What do we call it?

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Does it matter what we call it?

- BC
- Resiliency
- Risk Management
- DR
- COOP
- Crisis Management
- Emergency Response
- Compliance

How centralized is it?

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Should it be Centralized?

- CRO staff
- Risk Steering Committee seat
- Business Unit-specific
- Site-specific
- Department-specific
- Limited or shared scope (e.g., BC but not CM)

How specialized is it?
Is the approach specialized?

- Is it aligned with organizational core competencies?
- Does it require expert knowledge of the subject matter?
- Does it require constant use of (that) expert knowledge?
- When is good, good enough?
- Does the approach yield to other risk disciplines?
  - “The great is the enemy of the good”

Are we all in step?
Are we all in step?

- Does it fit in an organizational box?
- Who’s looking at the white space?
- Is the exposure (somewhat) consistent?
  - How does business Demand compare with IT Supply?
    - BC RTO = DR RTO?
  - How does acceptable/planned downtime loss compare with insurance deductible?

How has it evolved over time?
How has it evolved over time?

- Risk rooted in insurance
- BC rooted in IT DR
- IT Security rooted in IT
- Audit rooted in Finance
- Environmental Health and Safety rooted in Facilities
- Crisis Management aligned with Corp Comm.

As conductor do we look like this?
Evolution of the Chief Risk Officer (CRO)

- Who has a named CRO?
- Who has a de facto (but unnamed) CRO?
- What is the role or scope of the CRO function?
  - Market or credit only
  - Operational risk only
- Financial folks – please provide your insight!
  - Is there confusion due to the nature or background of the CRO (i.e., Investment vs. Ops Risk)
  - Does the firm leverage a consistent, portfolio approach in addressing risk in all/both subject areas?
(Some) Organizational Options

• No

• Management & management change can be a key factor
  
  Top-down or bottom up?

  * Trying to implement a business continuity plan without senior management is like trying to move a cemetery. You don’t get much help from the people below you.
  - unknown

17

It began in IT

• In many cases, it has never expanded beyond the backup!
• Pros
  • Makes sense since focus has historically been technology recovery
  • Rooted in TECH identifying need on their own; no business connection (e.g., BIA)
  • They control access
  • IT is already complicated

• Cons
  • Service Oriented not business direction
  • Priorities may be in line with importance at the expense of urgency
  • Too many fires already

18
CISO/IT Security

• New and aligns with Cyber risks

• Pros
  • Insight into all dimensions of the business
  • Needs to be on the ‘leading edge’ of the issues at hand
  • Best positioned to challenge and support (IT) technical direction
  • Bridge between IT and IT Audit

• Cons
  • May not have Operational Technology (OT) in scope
  • May be too risk-averse to accommodate business needs

Risk Management

• Pros
  • Makes sense since focus is to protect the balance sheet/income statement
  • Focus on the transfer with little regard for Acceptance, Avoidance, Reduction
  • Understanding of shared vs. dedicated ownership
  • Can align with corporate risk appetite

• Cons
  • Service needs can be technical
  • Not everything can or should be transferred
Facilities

- Life safety, fire alarms, cost center

- Pros
  - Already responsible for life safety issues
  - Already dealing with workplace safety and comfort

- Cons
  - Too focused on building issues.
  - Unfamiliar with insurance risk appetite modeling
  - Services too technical to understand impact

Audit/Compliance

- Hall Monitors
- Knowledgable about entire business

- Pros
  - Great overall understanding of business units and responsibilities
  - Has the clout to get it done
  - Able to see where services overlap

- Cons
  - Seen as hall monitors which inhibits transparency and “forthcomingness”
  - Written audit reports and work papers = discoverable
  - Too concerns with details than overall picture
**Health, Safety, and Environmental (HSE)**

- Environmental concerns. (Oil Spills)
- Integration with responding agencies
- Heavy ICS and EM interaction.

**Pros**
- Good interaction with emergency management practices
- Safety culture is easy to turn into continuity culture

**Cons**
- Reacting to incident, not recovering the business processes
- Pidgeon-holed into safety department

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**Legal**

- Too many words
- Eyeball rolling

**Pros**
- Able to identify risks quicker due to past litigation
- Can align with corporate risk appetite strategy via liability/indemnification focus

**Cons**
- Bogged down in contractual details and unending scenarios
- Responsiveness in a real life situation
Leaders should take care of this

• Good leader plans for BC already.

• Pros
  • Familiarity with business need
  • Controls pro-active preparation

• Cons
  • Doesn’t know how his interaction fits in the overall recovery.
  • Self-serving
  • No check-and balance

Silos – Case Study: Pearl Harbor
Silos – Case Study: Pearl Harbor

Pearl Harbor in Retrospect

Article published in the Atlantic magazine July 1948 by:
Sherman Miles
Head of Army Intelligence

Pearl Harbor: Who Blundered?

Article published in American Heritage magazine February 1962 by:
Colonel T.N. Dupuy

The Marshall dispatch sent November 27, 1941 read in part:

“Japanese future action unpredictable but hostile action possible at any moment. If hostilities cannot, repeat cannot, be avoided the United States desires that Japan commit the first overt act. This policy should not, repeat not, be construed as restricting you to a course of action that might jeopardize your defense. Prior to hostile Japanese action you are directed to undertake such reconnaissance and other measures as you deem necessary but these measures should be carried out so as not, repeat not, to alarm civil population or disclose intent. Report measures taken.”
Silos – Case Study: Pearl Harbor

Lieutenant General Walter C. Short - Army’s Hawaiian Department.

Rear Admiral Husband E. Kimmel - US Pacific Fleet.

“Each commander assumed the other knew his business; each assumed the other’s command was running on a full-time status. Each felt—as shown by later testimony—that to probe into the other’s shop would be an unpardonable and resented intrusion. As a result, the liaison essential to any sort of joint or concerted operation—the daily constant and intimate exchange of details of command operations between Army and Navy staffs—was almost nonexistent. Each commander, then, was working in a partial vacuum.”

Silos – Case Study: Pearl Harbor

Honolulu, HI – Tuesday, Dec 2

Rear Admiral Husband E. Kimmel

Sternly, but with a suspicion of a twinkle in his eyes, Kimmel delivered himself of a masterpiece of unconscious irony.

“Do you mean to say they (undetected Japanese aircraft carriers) could be rounding Diamond Head and you wouldn’t know it?”

Navy – We don’t want to look stupid.
Army – It’s not my problem.
When I say “GO” we all point to the right.

GO!

BC just for disasters?

5 SIGNS YOUR ORGANIZATION IS TOO SILOED
CMSWIRE – JAN 29, 2018

. Broken Customer Experience
. Internal Unfamiliarity
. “Us VS. Them” Mentalities
. Disenfranchised Employees
. Task Duplication
What has been worst/ineffective role?

- What type of organization?
- Where did BC (you) report into?
- What was a/the Specific problem
  - For You?
  - For the Organization?

Strategic (External) Position

- The sweet spot!!
Tactical (Internal) Position

- The sweet spot!!

Where do we agree?

- Step 1: The right person is one who has good understanding of ALL organizational department roles, AND understands business urgencies along with what order of priority those departments need to recover.

- Step 2: The BC position should be aligned to biggest threat to the organization which is different per market segment.
Greatest Threat per Market?

- Banking – Regulatory Fine – Compliance
- Insurance – Not enough coverage – Risk
- Oil & Gas – Oil Spills - HSE
- Manufacturing – Production Loss – Operations
- Tech – Cyber Response (IT) – IT
- Retail – Supply Chain – Procurement
- Utilities – Cyber Security (OT) – Safety/Security

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