BRC
BOARD RISK COMMITTEE
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Why Boards Need to Understand the Critical Difference Between Continuity and Resilience

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"The term resilience has evolved to become part of the overall survivability landscape and business continuity remains in place as an important operational activity." *(Source: Paul Kirvan, DisasterRecovery.com posting, January 2020)*

The word "resilience" has become enormously popular in board rooms and in the media around the world during the past 24 months. Definitions abound, yet boards, and the organizations they oversee, may not fully understand the meaning of the term "resilience" and the critical nuances that separate "resilience" from "continuity." Without understanding that distinction, firms may be at a competitive disadvantage when (not if) a business disruption occurs.

Boards need to understand that continuity is operational while resilience is strategic. Together, continuity and resilience allow an organization to continue to serve their customers within acceptable impact tolerances regardless of the business disruption.

Resilience is often – and erroneously – considered to be synonymous with traditional continuity. Continuity is required to achieve resilience. Business continuity plans are typically designed to allow an enterprise to continue service in the short-term, while a business disruption is addressed. True resilience assures long-term organizational viability given the certainty of strategic shifts and a constantly changing external environment. A resilient enterprise requires strong top-down leadership, the right governance and accountability, a strong risk culture, and a common organizational vision and purpose *(See British Standards Institution BS 65000:2014)*. Simply renaming a business continuity function "business resilience" does not make an organization resilient.

BUSINESS RESILIENCE V. TRADITIONAL BUSINESS CONTINUITY

"Resilience helps businesses take continuity principles out of their silos. Resilience focuses not just on how to get back to business after something goes wrong, but on how businesses can position themselves to protect their brand equity, their resources and their staff from threats in the first place." *(Source: Onsolve.com Blog Post "What is Resilience and How Does it Relate to Business Continuity Principles?")*

Resilience and continuity are complementary but separate concepts. Boards should shift their thinking from resilience *or* continuity to resilience *and* continuity. Business continuity is a requirement for resilience but cannot guarantee it.

Highly resilient organizations identify and adapt to changing risk environments and typically look at risk through an all-hazards lens. An all-hazards approach enables a tight focus on the *what* of a business disruption instead of the *why*. For example, when a resilient organization prepares for a facility to be unavailable – it does not focus on 'why' the facility is unavailable. A facility can be unavailable for many reasons (a sustained area-wide power failure, a flood or significant social unrest). Regardless of why the facility is unavailable, an organization must have plans in place to continue operations until the facility, or access to it, is restored.

A resilient organization also requires a governance structure that supports risk management without regard to organizational boundaries (departments, divisions, vendors and supply chains, etc.). Resilient organizations display rules, structures and processes that drive coherent decision making within the context of acceptable risk, cost and speed.

Organizations that simply display good business continuity characteristics are less likely to have a coherent, fully mature risk culture, and may miss entrepreneurial opportunities not immediately apparent in emerging risks.

Questions Boards Should Consider:

- Does the organization differentiate between resilience and continuity and how is that difference articulated?
- Does the organization have the ability to ensure continuity of services in the event of a disruption?
- How frequently are business continuity plans updated and approved?
- How are business continuity plans and/or overall resilience tested and with what frequency?
- Do exercises include critical third parties and capture the complete extended enterprise?

HURDLES TO ACHIEVING RESILIENCE

"Resilience needs to be holistically embraced by an organization. It cannot be achieved by adding 'resilience' to a job title or putting it in a department name." *(Source: PlanB Consulting Blog post)*

Resilience must be integral to strategic planning and design. When risk management is divorced from organizational planning processes, that disfunction becomes a primary hurdle to achieving resilience. Too often – in speed to market – resilience is an afterthought. It is much harder – and sometimes impossible – to retrofit resilience.

Another significant hurdle to achieving resilience is an inefficient organizational structure. A resilient organization requires organizational and governance structures that support risk management without regard to organizational boundaries (departments, divisions, vendors and supply chains, etc.). *Organizing for resilience is discussed further in the next section.*

Other hurdles to achieving resilience include:

- Absence of Enterprise Risk Management providing oversight.
- Incorrect organizational mind-set – are resilience and business continuity understood and respected?
- Inefficient organizational structure – where do resilience and continuity management responsibilities lie in the organization (they are not security or technology functions; they are primarily risk management functions)?
- Incomplete or inaccurate mapping of end-to-end processes and required assets to support those processes.
- Inefficient and ineffective third party risk management; failure to understand all risks associated with the extended enterprise.

Questions Boards Should Consider:

- Who is responsible for developing organizational resilience and does that individual have sufficient seniority and organizational stature?
- What is the status of the organization's asset inventory and is it stored and shared centrally?
- Are third parties identified in the mapping process – and is concentration risk associated with third (and nth) parties understood?
- How are third parties demonstrating resilience?

ORGANIZING FOR RESILIENCE

"Resilience is the trendy word of the moment and everybody wants a piece of it." *(Source: PlanB Consulting blog post)*

Given its complexity, an organization's resilience often requires distributed responsibility and accountability. This distribution can pose a hurdle to developing a truly resilient organization unless one executive with sufficient seniority, gravitas and experience is charged with overall accountability. The Chief Risk Officer is the most viable candidate for a responsibility of this scope. Organizations should map the facets of resilience and which Department or Executive is responsible for ensuring its resilience. This map will help illustrate whether the existing organizational structure contributes to, or detracts from, overall resilience.

The table below is illustrative only and is not all-inclusive, but it can be used for mapping. In this example, the organizational structure supports a resilient enterprise:

Facet of Resilience	**Responsible Party/Accountable Department**
Overall Resilience	Chief Risk Officer
Technology/Systems	Technology Services
Colleagues	Human Resources
Facilities	Property Services
Third Parties	Third Party Risk Management
Finance	Finance
CyberSecurity	Information Security and Cyber Security
Business Process	Business Continuity or Resilience

If the table above showed that the resilience of facilities was the responsibility of Physical Security – instead of Property Services – overall resilience would be compromised. When appropriate subject matter experts are not responsible for the appropriate facet of resilience, an organization's structure is flawed.

Questions Boards Should Consider:

- Are individuals charged with improving organizational resilience empowered to work across boundaries and do they have easy access to top management?
- What organizational structures are in place to assure that overall resilience is nurtured?
- When new initiatives and organizational models for improvement are considered, do they have appropriate levels of resilience built-in?
- What role does enterprise risk management play in overseeing resilience?

ABOUT THE AUTHOR

Teresa C. Lindsey ("T") is the Chief Executive Officer of The Board Risk Committee (BRC), a not-for-profit thought leadership peer forum dedicated to Board Risk Committee members and Chief Risk Officers (CROs). T has more than 30 years of experience developing business resilience, continuity and incident management best practices within the financial services industry. T retired from Citizens Financial Group (CFG) where she served as Executive Vice President and Head of Resilience, Recovery and Crisis.