

# WHY BUSINESS CONTINUITY PLANNING MATTERS

*Trending Topics represents an executive summary compilation of news, information and perspective on matters affecting businesses and business leaders today. This insight is being provided to keep you up to date on the latest developments and trends influencing these topics. These views do not necessarily represent the views and opinions of PNC. For additional research on these topics, please consult the sources cited in this article.*

In our data-driven economy, events caused by natural disasters, human error and cyberattacks can shut down a business at any time. Sensitive data on company servers or the cloud can become a target for cybercriminals who seek entry to company systems for malicious purposes. Today's interconnected, global business environment exposes a company to data breaches at suppliers or business partners as well as operational risks posed by political unrest at overseas locations. Business operations and supply chains can be disrupted at any time from anywhere around the world.

A well-defined plan for business continuity and disaster recovery enables a company to react quickly in the face of sudden or unexpected events, and it can go far to lessen the negative impact on business operations and profitability.

In the 2016 Allianz Risk Barometer of top business risks, business interruption (BI) and supply chain disruption topped the list of threats to corporations.<sup>1</sup> In its 2015 Global Claims Review, global insurance company Allianz noted 10 categories that accounted for more than 90% of BI losses. Fire and explosion topped the list of causes of damage, followed by storms and machinery breakdown. Other causes included faulty design or manufacturing, strikes or vandalism, personnel loss (specifically cast members being unable to perform in entertainment events like Broadway plays insured by Allianz policies), flood, collapse, human error and power interruption.<sup>2</sup>

## CHALLENGES POSED BY THE INTERNET OF THINGS

The transformation of business due to the internet of things (IoT) poses its own set of challenges for business continuity. The IoT connects software, computers, the cloud, sensors and other devices to seamlessly merge physical and digital technology such as 3D printers, driverless cars, nanotechnology and other devices for greater efficiency, improved service and better process management. Today, there are more devices talking to each other through the IoT than the number of people who communicate with each other.<sup>3</sup> Analysts predict there will be 50 billion connected devices in the IoT by 2020.<sup>4</sup>

However, the benefits of the IoT must be weighed against the potential new operational and security risks it poses for companies. Remote sensors can be used by cybercriminals to gain malicious access to company systems, shut down operations, and cause a fire or explosion. Closely interconnected plants or operations can actually magnify losses as the shutdown of one facility could necessitate work stoppage at other interlinked facilities.

These facts point to the growing need for companies to evaluate their business processes and revamp their business continuity planning. Too often, gaps exist in companies' supply chain risk management programs that leave operations vulnerable to interruption and loss.

Business continuity and disaster recovery plans can serve as the first response in the wake of a disruptive event. A well-documented business continuity plan can help organizations anticipate likely scenarios, outline response actions and react rapidly, thus increasing the likelihood of resuming normal operations quickly and with the least interruption.



Today's interconnected, global business environment exposes a company to data breaches at suppliers or business partners as well as operational risks posed by political unrest at overseas locations. Business operations and supply chains can be disrupted at any time from anywhere around the world.

### SUPPORT FROM CLOUD SERVICES

Because data and company programs are such an integral part of business operations, many companies are using cloud services as part of their disaster recovery and business continuity planning. Cloud-based services can range from simple file back-up to standby server farms that are ready to take over operations immediately in a disaster.

### A BUSINESS IMPACT ANALYSIS

When developing a business continuity and disaster recovery plan, many companies begin by performing a business impact analysis. This process gathers information from all department leaders and senior staff to assess what systems, technologies, applications, suppliers and business partners each business unit depends on to perform daily operations. The business impact analysis can show how quickly a business unit needs to be up and running before its loss could have a negative effect on the overall organization.

### COMPONENTS OF THE PLAN

To ensure that the business continuity plan is robust and up-to-date, senior management must be prepared to commit administrative and budgetary support to the plan and its owners. A comprehensive business continuity and disaster recovery plan should include:<sup>5</sup>

- Documented procedures and steps outlining how the business will respond to specific scenarios
- Trained emergency response team members who understand their roles and responsibilities in an emergency situation
- Contingency arrangements made in advance with third-party providers for emergency support services until operations are restored
- Contingency plans in place to maintain normal banking and financial operations such as accessing a credit line and making payroll
- Up-to-date contact lists of internal and external resources and responders
- Sharing the company's business continuity and disaster recovery plan with local area first responders

**To discuss these topics in more detail, please contact your PNC Relationship Manager.**

<sup>1</sup> Allianz Risk Barometer 2016, available at: <http://www.agcs.allianz.com/assets/PDFs/Reports/AllianzRiskBarometer2016.pdf>

<sup>2</sup> Allianz Global Claims Review 2015 report, available at: <http://www.agcs.allianz.com/assets/PDFs/Reports/AGCS-Global-Claims-Review-2015.pdf>

<sup>3</sup> "Sketching out the Internet of Things trendline," by Philip N. Howard, Brookings Tech Tank blog, June 9, 2015. Available at: <http://www.brookings.edu/blogs/techtank/posts/2015/06/9-future-of-iot-part-2>.

<sup>4</sup> "Sketching out the Internet of Things trendline," by Philip N. Howard, Brookings Tech Tank blog, June 9, 2015. Available at: <http://www.brookings.edu/blogs/techtank/posts/2015/06/9-future-of-iot-part-2>

<sup>5</sup> Business Continuity & Disaster Recovery website by TechTarget with disaster recovery and business continuity resources, available at: <http://searchdisasterrecovery.techtarget.com/essentialguide/Essential-guide-to-business-continuity-and-disaster-recovery-plans>

PNC is a registered mark of The PNC Financial Services Group, Inc. ("PNC").

The article you read was prepared for general information purposes only and is not intended as legal, tax or accounting advice or as recommendations to engage in any specific transaction, including with respect to any securities of PNC, and do not purport to be comprehensive. Under no circumstances should any information contained in this article be used or considered as an offer or commitment, or a solicitation of an offer or commitment, to participate in any particular transaction or strategy. Any reliance upon any such information is solely and exclusively at your own risk. Please consult your own counsel, accountant or other advisor regarding your specific situation. Neither PNC Bank nor any other subsidiary of The PNC Financial Services Group, Inc. will be responsible for any consequences of reliance upon any opinion or statement contained here, or any omission. The opinions expressed in this article are not necessarily the opinions of PNC Bank or any of its affiliates, directors, officers or employees.

©2016 The PNC Financial Services Group, Inc. All rights reserved.

CIB ENT PDF 1116-067-405203