

Business Continuity and Risk Management

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I would argue that risk management, more than any other element in the business continuity life-cycle, has changed the most dramatically over the past half decade. Because of this, the very essence of business continuity management is morphing into a holistic management process. Once upon a time, when a business continuity professional mentioned “risk” it was in relation to conducting a risk assessment; to verify infrastructure or technology threats. This list was used as the foundation for a business impact analysis and/or defining “recovery” strategies. As many plans are based solely on a worst-case scenario assumption, notably total destruction of a site, often organizations could justify foregoing a risk assessment and leave risk management to insurance protection. That was then, and this is now.

“The challenge for risk management is to provide the framework to help management deal with uncertainty, and the associated risk and opportunity to agreed levels of acceptability, with managing risk embedded as part of an organization’s strategic and operational management process.”¹ The most critical failure points (threats) are not financial, though that is the way failures are mostly measured. Potential risks are everywhere: core business processes, corporate policies, infrastructure, corporate governance and compliance, stakeholders (including employees), balance sheet management, and the external environment – natural, political, or otherwise.

Business continuity management is coming of age to respond to the new needs of its own stakeholders. Today, business continuity management is not just about recovery; it is also about building a stronger, smarter, resilient organization. It is about prevention, about understanding what might be at risk, and then developing strategies to reduce the severity of risk and be able to respond to the risk with a viable plan if it does occur. The intent of risk management is to recognize that risks can be neutralized so that the frequency and severity of loss, financial or otherwise, can be managed. Risk management is, therefore, a balancing act between taking risks for the good of the enterprise and avoiding them for their downside.

A well developed business continuity program now serves as a key control and an alternative mechanism for risk mitigation beyond risk transfer to insurance policies. But, to make this happen, the business continuity professional must look well beyond technology and infrastructure. The reactive approach to risk management was to set a plan in place to recover, no matter what the impact. The proactive approach to risk management is to set a plan in place to prevent a threat or mitigate the impact by defining early detection triggers and appropriate contingency plans.

To learn more about the elements is risk management and taking a proactive approach, refer to our companion article, “[Staying Afloat – Discovering and Dealing with Risks](#)” presented in the August 2006 edition of *R&A Crisis Management Executive Report*.

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¹ *A Risk Management Approach to Business Continuity*, 2006, Graham and Kaye, Rothstein Associates, Inc. , p. 5.