

Business Survival Newsletter™

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BUSINESS SURVIVAL™:
A BUSINESS CONTINUITY NEWSLETTER FOR DECISION MAKERS
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OUTSOURCING: ARE YOU PUTTING THE CONTINUITY OF YOUR BUSINESS IN SOMEONE ELSE'S HANDS?

By David Honour, editor,

*What measures should you take to ensure that outsourcing
business functions does not put your business continuity at risk?*

Outsourcing is seen by many organisations as an effective way of passing responsibility for non-core business functions to third party specialists. Facilities management and IT related functions are often prime candidates for outsourcing; for many companies these are non-core activities - they are not key revenue generating areas. The mistake that some companies make is in equating 'non-core' with 'not-critical.' In outsourcing non-core activities you may still be handing over responsibility for mission-critical activities to third parties.

Outsourcing does not absolve you from the responsibility for managing all your mission critical risks. However, it can make it more complex.

So, what measures can you take to ensure that your outsourcer will assure the continuity of your outsourced function?

The first vital element in protecting the mission critical assets managed by your outsourcer is the contract agreed between the two parties. The majority of outsourcing contracts will include a business continuity clause, but it is vital that this is not just a 'box-ticking' exercise. The contract must deal with specifics, not generalities and this will not be a quick process. As in all things relating to business continuity, you need to go back to the risk assessment and business impact analysis. You will be aware, from having conducted these, of the critical risks which could impact upon the business function that you are outsourcing. For each of these the contract must ensure that the outsourcer is aware of the nature of the risk and agrees to take responsibility for managing it. The contract must also specify what mitigation steps will be taken. Recovery time objectives (RTOs) should be built into the contract, with provisions for legal liability should the RTO not be achieved.

Outsourcing contracts tend to be long term, therefore, over the contract period, the risk profile of the outsourced business function is likely to change. This must be taken into account in the contract. Periodic risk assessments and business impact assessments (BIAs) need to be conducted and the responsibility for handling these needs to be made clear. Will the outsourcer manage these or will your company? If new risk controls are required who will implement and pay for these? Who will take the decision to stand-down risk control measures that have become defunct and are no-longer needed?

At this stage in the contract writing process you may find the outsourcer starting to lose interest in winning your business! However, this is not the time to compromise – it is vital that your mission critical risks are fully protected and if the outsourcer is unable to guarantee this in the contract then you are talking to the wrong company.

It is also important that you are dealing with an outsourcer that is prepared to be transparent in terms of the business continuity provision for their own mission critical risks. Have they a fully documented, adequately resourced and frequently tested business continuity plan? If so, you would be wise to conduct a comprehensive audit of this. If they decline this request for reasons of 'company confidentiality' you really must consider refusing to work with this company. Your company's survival is more important than another's confidential information. If the trust is not there to allow this vital audit, is the outsourcer really a suitable partner to be working with?

After crossing every 't' and dotting every 'i' of the way your mission-critical risks will be protected by the outsourcer, the next step is to cover your own back. Despite the contract, the outsourcer could fail to manage your critical risks in a crisis. You need a contingency plan for this outcome. You will have to pick up the pieces to ensure your company's continuity. How will you do that? Who will you call upon? Are there any additional third party recovery contracts that you need to put in place?

All the above is unlikely to make you popular with your contracts and legal departments and will probably add additional costs to your outsourcing agreement. But to fail to address these issues is to fail to protect your organization – you are putting the continuity of your business into someone else's hands.

OUTSOURCING AND SERVICE LEVEL AGREEMENTS: SURVEY SAYS...

In addition to business continuity, Service Level Agreements are a critical consideration for any outsourcing arrangement.

According to InformationWeek (November 18, 2002):

“How important are service-level agreements in your company’s vendor-selection process?”

BUSINESS SERVICES:

Not very important	2%
Somewhat important	10%
Highly important	88%

FINANCIAL SERVICES:

Not very important	2%
Somewhat important	5%
Highly important	93%

MANUFACTURING:

Not very important	0%
Somewhat important	5%
Highly important	95%

“Has your company invoked its outsourcing service-level agreement one or more times?”

BUSINESS SERVICES:	45%
FINANCIAL SERVICES:	45%
MANUFACTURING:	33%

(Survey base of 65 business-services, 95 financial services, and 101 manufacturing sites)

Andrew Hiles’ book, , is a recommended source of information on SLAs for outsourcing.

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THESE ARE A FEW OF OUR FAVORITE LINKS

CONTINUITY CENTRAL

– is a new site, providing a constantly updated source of business continuity and disaster recovery information. Expert or novice, will keep you up-to-date with everything that happens in this fast changing industry, and enable you to rapidly and comprehensively research the subject.

– provides regular news updates, structured knowledge databases and a series of business continuity e-newsletters and publications.

We encourage you to visit the section at where you can submit your favorite links as well as browse our extensive link database by over 30 categories related to business continuity, disaster recovery, as well as service level management.

We've added over 20 new links just in the past month!

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HAVE SOMETHING IMPORTANT TO SHARE ABOUT BUSINESS CONTINUITY?

We welcome your contribution to the BUSINESS SURVIVAL™ Newsletter.
Address your comments or articles to

pjr@rothstein.com
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READING

Subscribers to BUSINESS SURVIVAL™ are offered a free CD-ROM containing , your source for hundreds of books, software tools, research reports and videos since 1989. E-mail your request to with your postal mail address.

Over 20 new book, software and video titles have been added in the past month. The new books described below are a small sampling of the hundreds of resources available at and .

EMERGENCY PREPAREDNESS FOR FACILITIES: A GUIDE TO SAFETY PLANNING AND BUSINESS CONTINUITY

by David Casavant (includes CD-ROM)

“Emergency Preparedness for Facilities provides businesses with a strategic guide to preparing for and recovering from any emergency or disaster.

“A business survival “checklist,” this comprehensive new book provides step-by-step instructions for developing prevention and response plans for all types of emergencies and disasters. It helps safety professionals and risk managers create an organization-wide emergency management plan that ensures that all procedures are in place and all equipment and personnel needs are addressed so the company can respond to an emergency situation quickly and instinctively. Readers will feel confident that their employees are trained and prepared to put their plan into action and protect all workers, property, and the life of the company in the face of any natural or non-natural emergency event.” 2003, 308 pages plus CD-ROM. Order #DR706.

EVERYDAY CRISIS MANAGEMENT: HOW TO THINK LIKE AN EMERGENCY PHYSICIAN

by Mark L. Friedman, M.D.

“Anyone who can learn to think critically and rapidly, and then act decisively — like an emergency physician — will gain a competitive edge in conquering crises. Today more than ever before Every Day Crisis Management applies in business, in society at large, and our personal lives. Whether we are dealing an angry customer, calming an upset spouse, handling real or managing potential security threats, this book lays out the framework for reducing the threats. Fortunes have been made and protected, lives saved, and history transformed by individuals utilizing the principles revealed in Every Day Crisis Management. When anyone faces a crisis, the difference between success and failure, between triumph and defeat, between life or death often hinges on the ability of the person involved to change the odds in their favor. Dr. Friedman, shares a proven detailed strategy for crisis management in this book. Once you read this book, learn its lessons, practice and apply them, you will become consistently more successful than you were before at handling smaller every day crises and much more prepared for larger ones.” 2002, 292 pages. Order #DR668.

**CONTINUITY MANAGEMENT:
PRESERVING CORPORATE KNOWLEDGE AND PRODUCTIVITY
WHEN EMPLOYEES LEAVE**

Hamilton Beazley, Jeremiah Boenisch, David Harden

“How can I keep knowledge from walking out the door when employees leave?” This pressing question is insightfully answered in this landmark book. Operational knowledge has never been more critical to organizational success. Knowledge loss from downsizing, imminent baby-boomer retirements, and high job turnover have created a knowledge continuity crisis that poses an unprecedented threat to organizational productivity and profits. Based on extensive research, Continuity Management solves this crucial problem of knowledge loss for managers at any organizational level by describing an effective strategy for preserving knowledge continuity between employee generations. Revolutionary in its effect, but evolutionary in its practice, continuity management is fueling a new knowledge revolution. This book is about that revolution-and how to lead it.” 2002, 269 pages. Order #DR676.

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Rothstein Associates Inc.
4 Arapaho Rd.
Brookfield, CT 06804-3104
203.740.7400 or 1.888.ROTHSTEIn; fax 203.740.7401
email: pjr@rothstein.com

Newsletter Editor: Philip Jan Rothstein, FBCI ()
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