

PwC's business continuity insights survey

Business continuity beyond
company walls

Results Webcast
May 22, 2014



Disclaimer

Certain matters reviewed today may represent services that PwC may be prohibited from providing to our audit clients. In those instances, the information is being provided to inform you of options that you may want to consider as you evaluate the solution described on today's webcast.

Independence rules are complex and we recommend to discuss all services with you in advance within the context of the independence rules. The information contained in this document is provided 'as is', for general guidance on matters of interest only. PricewaterhouseCoopers is not herein engaged in rendering legal, accounting, tax, or other professional advice and services. Before making any decision or taking any action, you should consult a competent professional adviser.

Administrative matters

- **For better viewing experience**, close all other applications.
- **For better sound quality**, use headphones.
- **To enlarge the slides**, click the bottom right corner of the slide window and drag to the desired size or click the green maximize button at the top right of the slide window.
- **To download** today's presentation, click on the "Resources" widget at the bottom of the screen.
- **Submit questions** any time during the session using the "Q&A" window on the left side of your screen.
- **If you experience any technical difficulties** during the polling sessions, reply to the question in the "Q&A" window and include the poll number.

CPE credit

In order to receive 1 CPE credit for this program, you must:

- **Stay on for the entire 60 minute program.**
- **Respond to the polling questions** – you will be prompted to do so and need to respond to all 6 questions.
- **Click the “CPE” widget** upon conclusion of the webcast, located at the bottom of your screen, then follow the subsequent prompts to download your certificate. The certificate will open as a PDF file in Adobe Acrobat and can be saved to your computer.
- **CPE cannot be awarded** for participants not logged on to this webcast as themselves, phone-only participants, or participants who view the on-demand version. No exceptions.

Agenda

Presenter introductions

Survey overview

Survey results

Survey summary

Questions

Presenter introductions



Phil Samson

US Business Continuity Management Leader
Office 214 754 7269 | Mobile: 214 906 6535
phil.samson@us.pwc.com



Neil Kaufman

Director, Business Continuity Management
Office: 646 471 7976 | Mobile: 914 419 8033
neil.kaufman@us.pwc.com



Rob Stouder

Director, Vendor Risk Management
Office: 317 940 7501 | Mobile: 317 748 4296
rob.stouder@us.pwc.com

Survey overview

Survey overview & background

- PwC's third business continuity insights survey.
- Over 200 individuals participated globally.
- Objective: To gain insight into how organizations manage vendor resiliency to reduce their business interruption exposure.
- In April 2014, PwC issued a white paper on the 5 steps to implement vendor resiliency management: "*Business continuity beyond company walls*".
- Vendor resiliency management continues to challenge business continuity planners.
- Some industry sectors have emerging vendor resiliency management guidance and regulations.
- Within every business impact analysis (BIA) there are often numerous 'key' vendors identified who are required for critical business processes and necessary during crisis events.
- Effective vendor resiliency management requires coordination amongst several internal stakeholders in order to reduce this vendor risk.

Business continuity beyond company walls: When a crisis hits, will your vendors' resiliency match your own?

March 2014

Business continuity beyond company walls: When a crisis hits, will your vendors' resiliency match your own?

Reliance on third parties is substantial and continues to gain momentum. Companies are becoming increasingly comfortable migrating core and strategic functions to external providers with the objectives of improving efficiency, accelerating growth, and enabling operational transformation. Do strategy execution discussions include the need to gain insight into your critical vendors' resiliency and recovery capabilities? If not, are strategic goals at risk of being derailed by an unfortunate combination of unprepared vendors and insufficient internal resiliency and contingency planning?

Consider this scenario


A global weather forecast predicts that a major early-August typhoon has a 30% chance of impacting an overseas location that's home to your most important manufacturing, logistics, and supplier operations. Within 48 hours, that possibility has become a certainty, with impacts likely much stronger than had been predicted earlier. To make matters worse, the storm also has the potential to impact a nearby outsourced customer contact center that supports 75% of your call volume. The center was recently expanded to provide nearly all of the finance functions for your domestic and global manufacturing locations.

Adding to these clear dangers is the country's tenuous political situation: In recent national elections, the longtime ruling party was voted out of office, and most government functions are still in the midst of leadership transitions. In this atmosphere, your risk management team is concerned about the country's ability to manage an effective emergency response — and, long-term, about its overall political stability.

What are your options, given these variables? Will you try to ride out the storm and run the risk of watching your global growth strategy collapse before yielding its promised benefits? Or, have you forearmed your organization against such business interruption risks by instituting a business continuity management program that encompasses vendor risk by incorporating increased resiliency and rapid recovery?

With the increasing frequency of extreme climate and weather events combining with an unsettled political and economic landscape in many parts of the world, the type of scenario described above is all too realistic and all too possible. To some degree, organizations with global supply and service chains and outsourced business processes live constantly in the crosshairs, with a near guarantee of major impacts from a natural or manmade disaster — if not today, then soon.

Is your organization ready?



Five 'easy' steps:

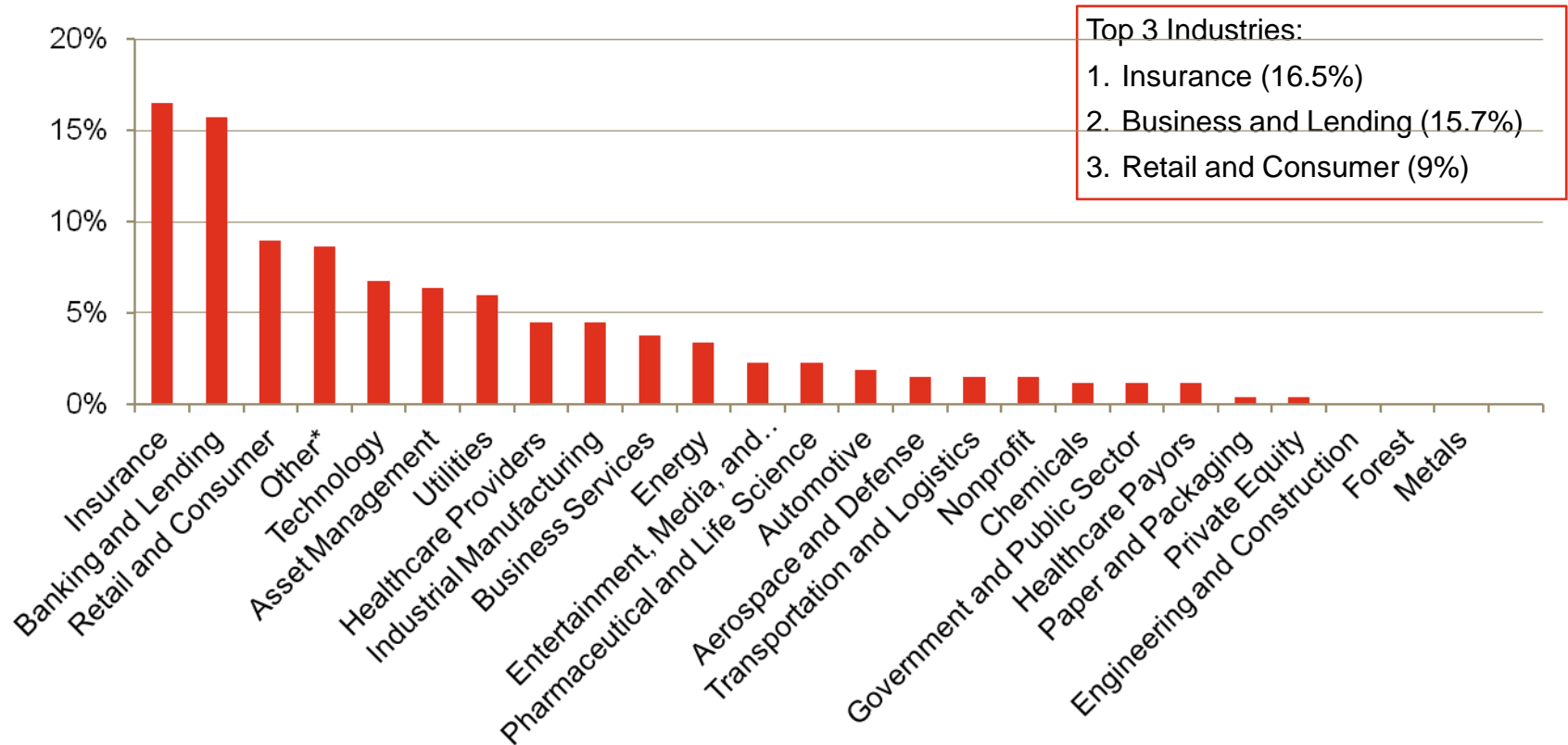
- Map your vendor risk landscape
- Use risk-based approach to prioritize vendor resiliency management focus
- Determine, by vendor, the level of vendor resiliency that is necessary
- Validate
- Respond appropriately to the vendor's resiliency capabilities

Polling question #1

Is your organization's focus on vendor resiliency management:

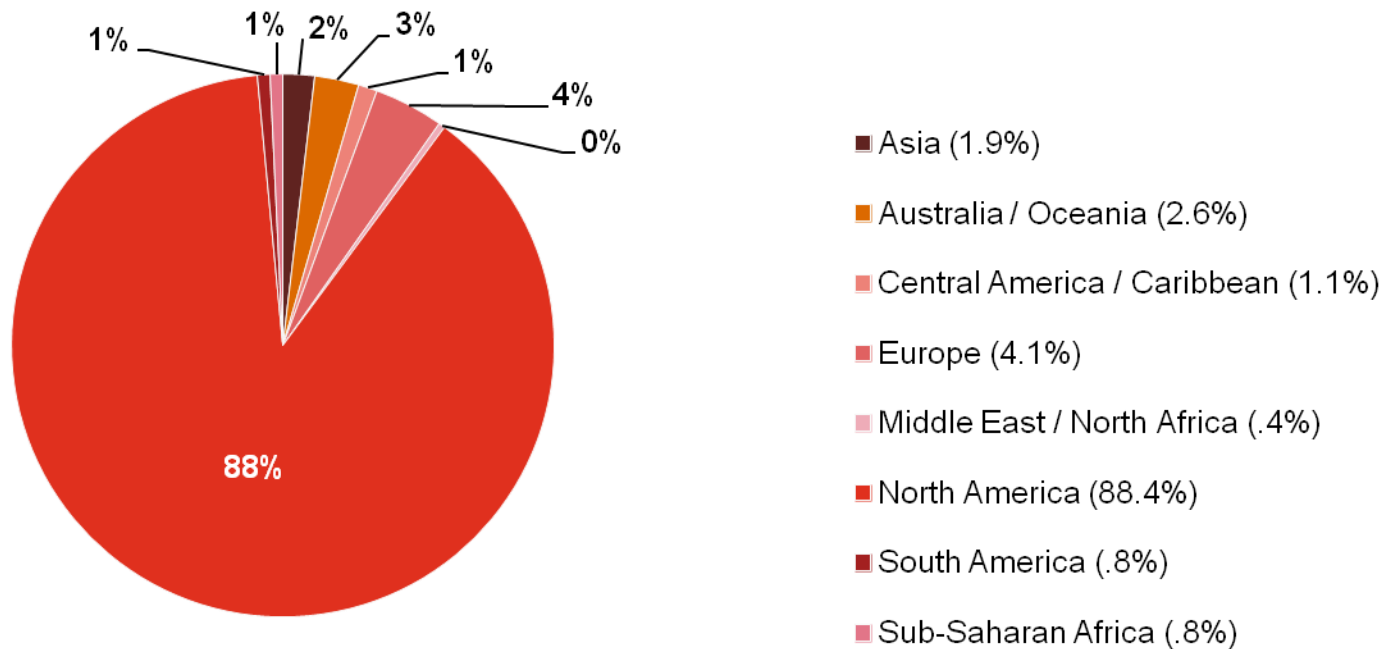
- A. Increasing
- B. Remaining the same
- C. Decreasing

Industries represented in the survey

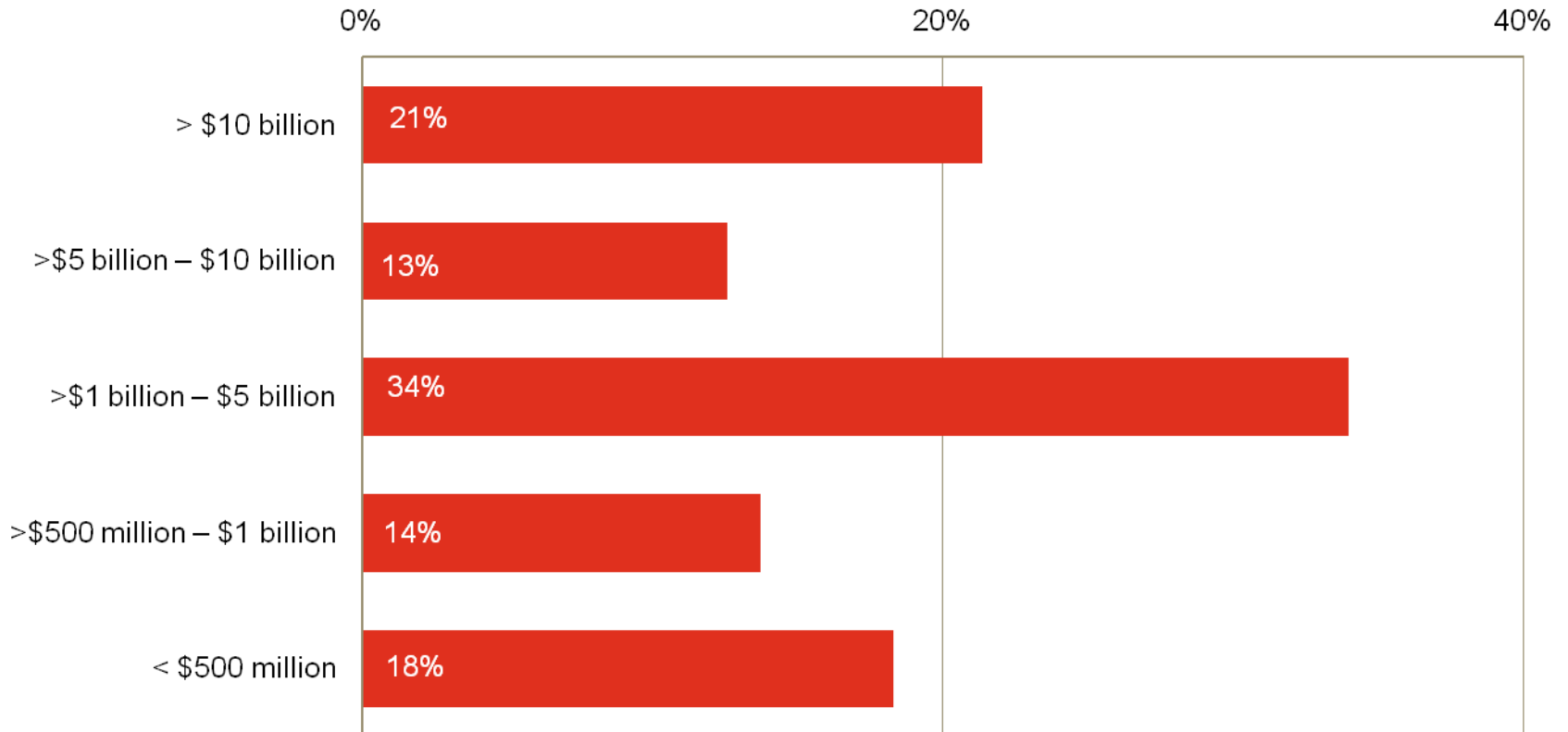


*Includes finance, real estate, software, construction, and hospitality industries

Respondents by location

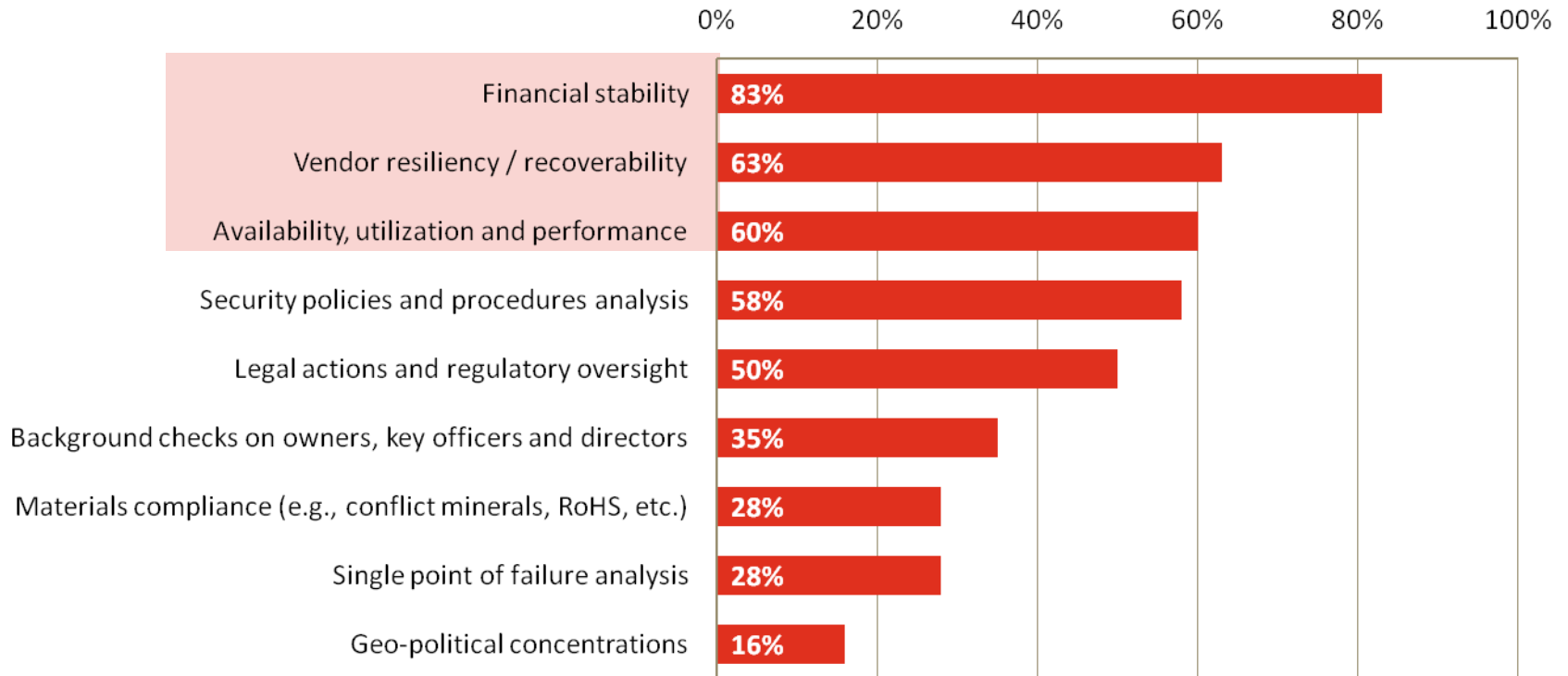


What is your organization's annual revenue?



Survey results

Which Vendor Risk Management activities are routinely performed for critical vendors either during onboarding or as part of regular surveillance?

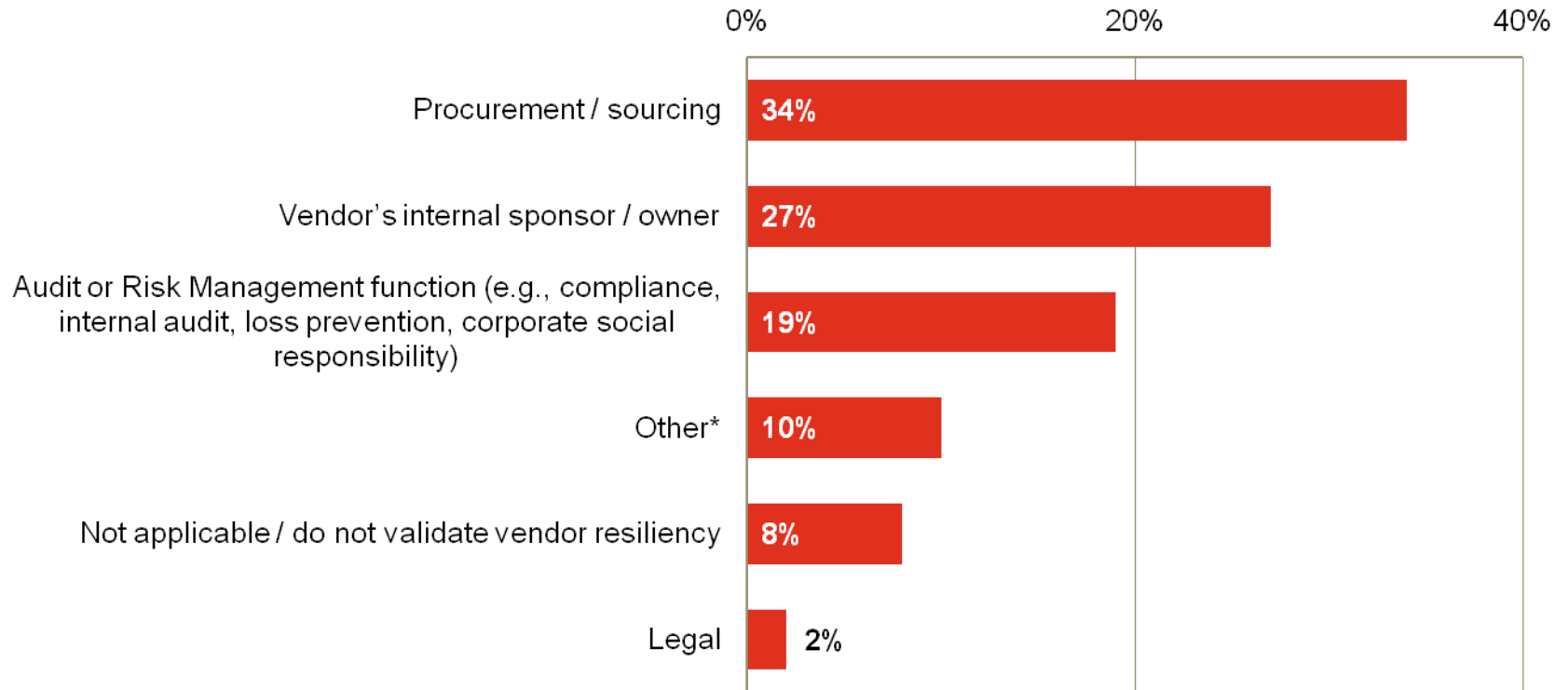


Polling question #2

What role in your organization has the most interest in vendor resiliency management?

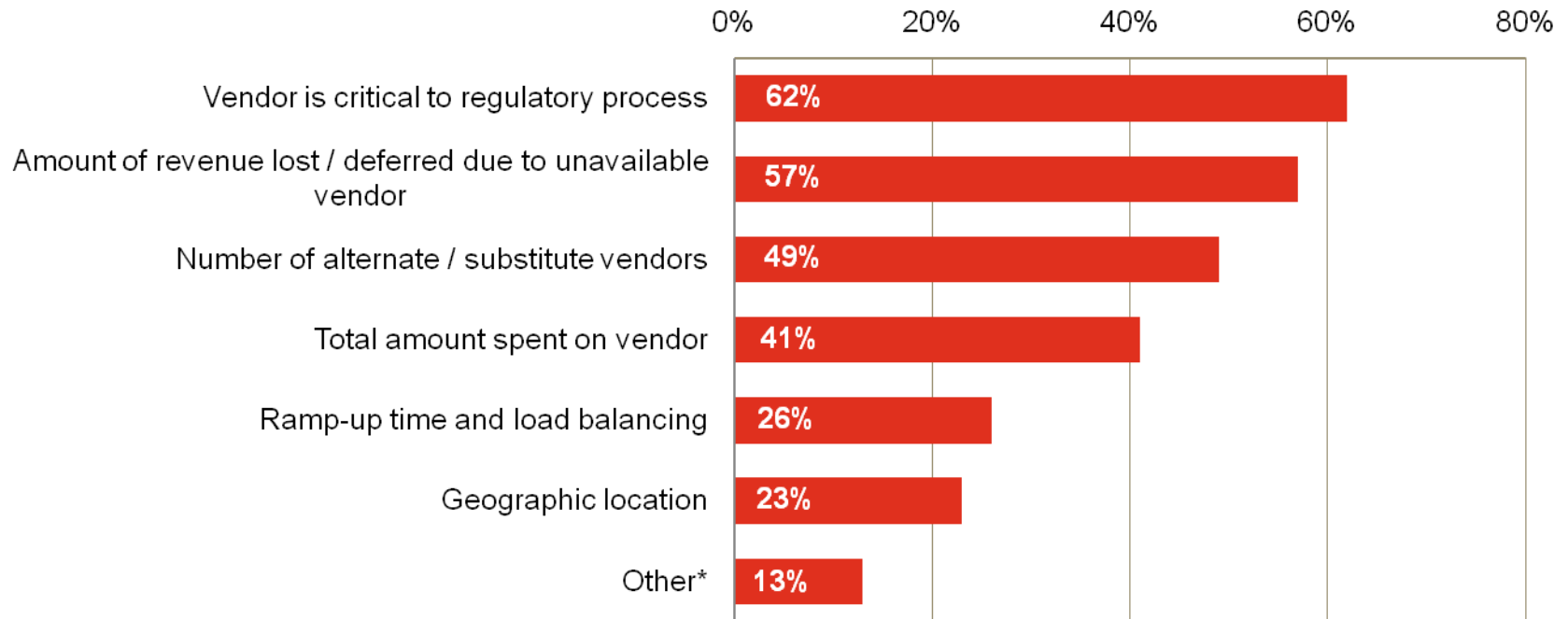
- A. Business continuity and resiliency management
- B. Vendor management
- C. Internal Audit
- D. The vendor's relationship owner (the function that uses the specific vendor)
- E. Executive leadership/Board of Directors
- F. Other

Which function is charged with validating vendor resiliency/recoverability?



*Includes BCM, IT, Security, Compliance, and combinations of multiple functions.

Criteria used to determine which vendors might require resiliency/recovery validation



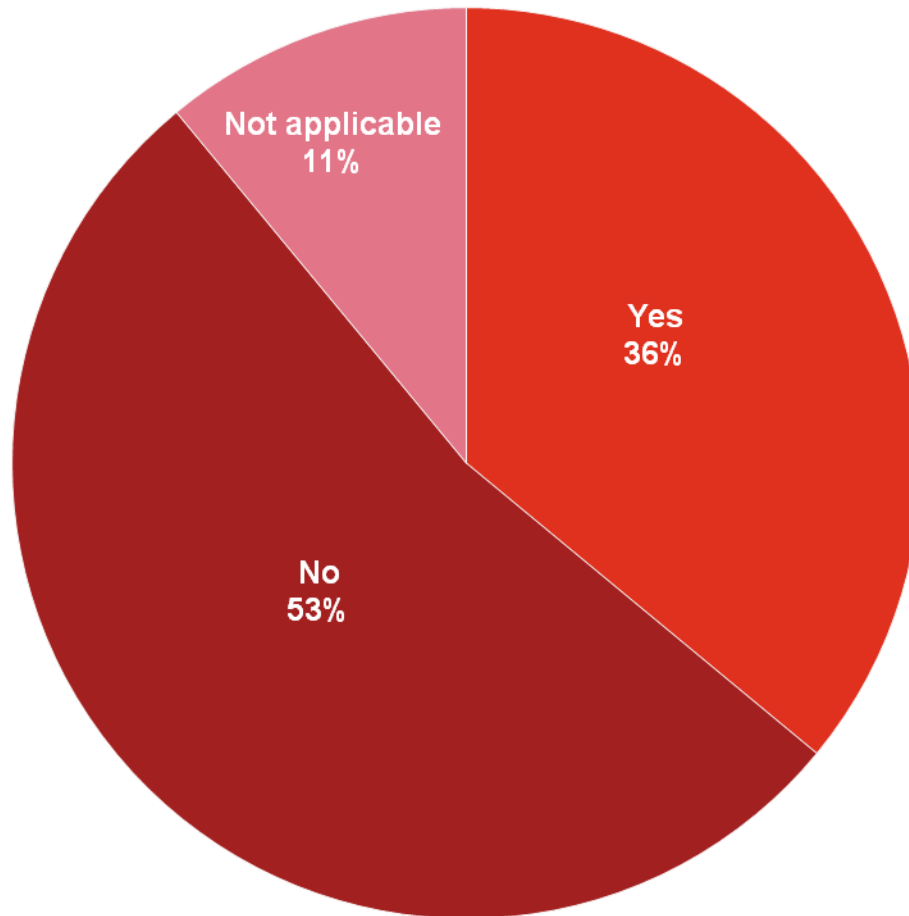
*Includes alignment to BIA, availability of alternate internal solutions, the nature of the work the vendor is responsible for, and those that support company strategy and/or customer facing functions.

Polling question #3

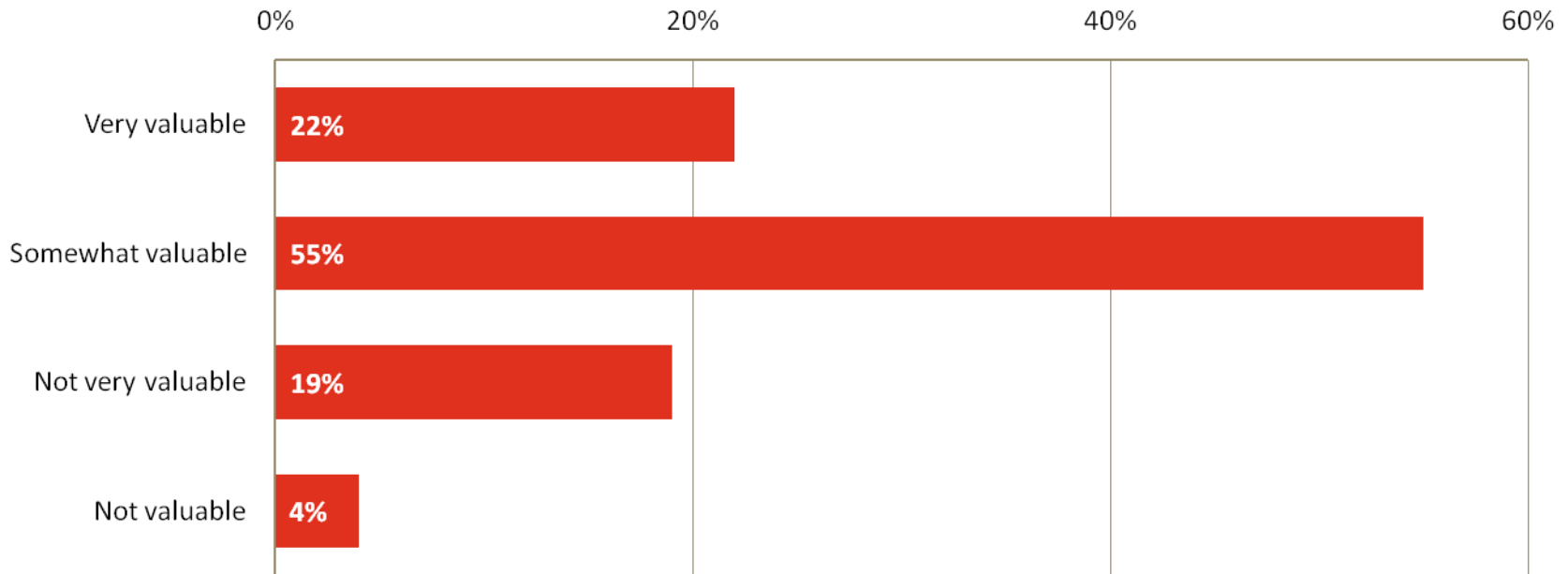
Has your organization experienced an unplanned loss of a critical third party (vendor, supplier, business partner) within the last five years?

- A. Yes, and we were prepared for such a scenario
- B. Yes, and we were unprepared for such a scenario
- C. No, we have not experienced such a scenario
- D. Not sure

Has a critical vendor failed to provide a sufficient level of service to support the availability of the products and services they provide you, either during their crisis or your crisis?



How valuable would a continuity-related ‘certifications’ (e.g., ISO22301) provided by a critical vendor be, to giving you confidence in their resiliency and recoverability?



Polling question #4

Has your organization ever decided against using a vendor because their resiliency level was unknown or unsatisfactory?

- A. Yes
- B. No
- C. Not sure

What was management's response when a critical vendor either failed to provide resiliency/recovery capability evidence or lacks those capabilities?

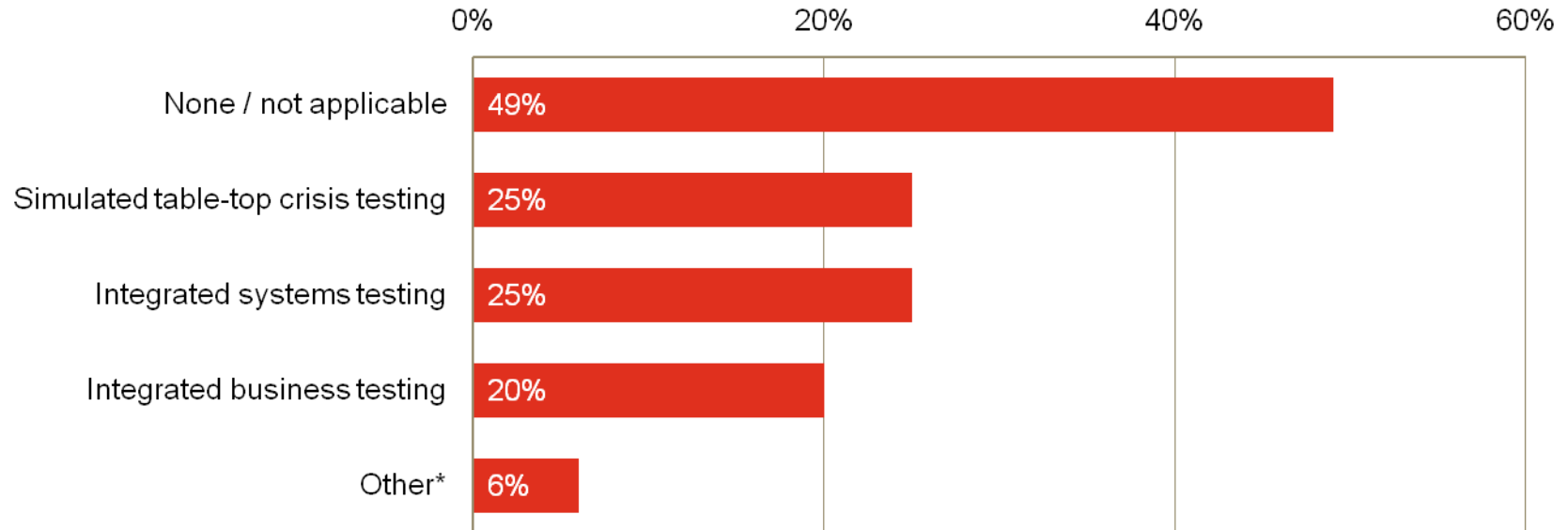


Polling question #5

Has your organization received an inquiry from key customers about your level of resiliency?

- A. Yes - but rarely
- B. Yes - increasingly common
- C. Yes - routinely asked
- D. No
- E. Not sure

Resiliency testing performed with critical vendors



*Includes reliance on review of their BC Plan reviews & exercises, and varies depending on the vendor's role. 1/2 of 'Other' indicated they didn't know whether resiliency testing was performed.

Polling question #6

Select a topic for the next BCM Insights Survey

- A. BCM program key performance indicators
- B. How BCM programs can help the organization achieve operational excellence and achieve strategic goals
- C. BCM tool approach: Best-of-Breed or Enterprise Risk Management
- D. Making processes resilient and recoverable from the start

Questions

Thank you for joining us!

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2014 PricewaterhouseCoopers LLP. All rights reserved. PwC refers to the United States member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.