RESILIENCE MANAGEMENT:
BRINGING PEOPLE, PROCESS AND TECHNOLOGY TOGETHER

![WCD logo] **WomenCorporateDirectors**
A Foundation Inspiring Visionary Boards Worldwide

Castellan

INTRODUCTION

Operational resilience and business continuity are top of mind for business owners and boardroom leaders across the globe, as a wide-range of new risks have arisen and presented potential disruption challenges. While disruptions may look different for each company and industry, how quickly a business can recover from an event like the COVID pandemic or a cyberattack will ultimately affect the future of their business.

Women Corporate Directors (WCD) and Castellan set out to understand how organizations and their boards of directors are approaching operational resilience and business continuity, as we start to emerge from the pandemic. Have these significant business disruptions impacted how they prioritize resilience?

For many companies, the pandemic highlighted the importance of looking deeper into their organization – expanding their focus beyond cyber and systems to human capital management (HCM) and global challenges such as supply chains and geopolitical risk.

"The pandemic showed everyone that they either didn't have a plan or if they had a plan, it wasn't working."

Annie Asrari, VP of Global Product Management at Castellan

INTRODUCTION

As a result, gaps in resilience and continuity planning occurred as organizations navigated an all-remote workforce, significant supply chain disruptions, a more complex digital environment, and other factors that upended business operations. "It's not uncommon for a global organization to face multiple disruptions at the same time… what organizations need to do is have a holistic approach, they need to be able to visualize all of their assets and understand the dependencies between them," Asrari added.

This increase in business disruption size, sophistication, and frequency, has led organizations to embrace resilience management. Resilience management involves integrating risk disciplines and removing artificial silos to proactively plan and test unified response strategies across people, processes, and systems. This approach enables organizations to align their programs with strategic business priorities, gain efficiencies, and achieve true business resilience – enabling their organization to bend and not break when it matters most.

> "Resilience management involves integrating risk disciplines and removing artificial silos to proactively plan and test unified response strategies across people, processes, and systems."

KEY FINDINGS

Key findings from a joint WCD and Castellan survey showed that directors have consistently prioritized operational resilience and business continuity and that the majority of respondents considered themselves to be very or extremely knowledgeable on these topics.

A wide variety of internal and external threats were cited as being faced by companies including customer and supplier concerns, vulnerability to business impact and disruption, products and services resource and risk constraints, as well as concerns about reputation risk. "Typically, when the organization is looking at resilience and continuity, they're looking at their direct dependencies, such as buildings, applications, people and suppliers. But many times, what they're forgetting is to look deeper, for example at their supplier's supplier. Failing to dig deeper creates much greater impact when suffering from cybersecurity events and supply chain disruptions," Brian Zawada, Chief Operating Officer at Castellan, explains.

> " Operational resilience means that companies are able to quickly recover from disruptive events. This includes technical capabilities, workforce expertise, and repeatable/practiced processes. Business continuity is dependent on operational resilience."
>
> Survey respondent comment

In light of these diverse challenges, we discovered that the majority of directors no longer feel operational resilience and business continuity falls solely under the responsibility of the Risk or Audit committee, but instead believe that it's the responsibility of the full board. Directors said business continuity and operational resilience was consistently a board priority, and increasingly so in a post-2020 environment. "As disruptions increase in size and scale, planning alone is no longer enough. Boards must engage executive management and equally focus dialogue not only on preventing disruption by closing vulnerabilities, but also ensuring the ability to effectively respond to a wide range of threat scenarios thereby protecting their people, reputation, and the bottom-line," said Brian Zawada, Chief Operating Officer at Castellan.

As organizations recover and look to advance their strategic goals, we expect to see increased investment in resilience management. Investment will be driven primarily by continued cybersecurity threats, new technology and IT change, shoring up operations, processes and people. HCM was cited as a top operational and business continuity strategic priority coming out of the pandemic and one of the largest areas of opportunity including addressing the need for a more diverse workforce and the challenges resulting from a record number of employees leaving the workplace entirely.

FULL BOARD RESPONSIBILITY

1. The full board of directors is responsible for operational resilience and business continuity.

While the events of 2020 and 2021 have greatly impacted how organizations operate, findings show that operational resilience and business continuity have been a consistent board priority.

"Resiliency needs to be included in everything we do in companies, in the decisions we make, not just in the operational processes and operational models companies have. It must be part of the strategy and the strategy itself needs to be designed so it is resilient. This is the way we will take resiliency to the next level," reiterated Olga Botero, Founder and Managing Director of C&S Customer and Strategy; Senior Advisor, Boston Consulting Group; Director, Evertec, Esval S.A. and Essbio S.A.; Co-chair, WCD Colombia.

Survey results showed that when it comes to board oversight, 45% of respondents said that operational resilience and business continuity is the responsibility of the full board, with 19% and 17% indicating primary responsibility lies with the Risk committee and Audit committee, respectively.

60% of directors surveyed said operational resilience and business continuity is 'consistently a board priority,' while an additional 30% said it is a 'greater board priority, post 2020.'

FULL BOARD RESPONSIBILITY

Similar to the move toward full board accountability, business continuity and resilience is being elevated at the management level as well. According to Asrari, the C-suite leader who is increasingly tasked with managing this critical function varies depending on industry, size or both. Importantly, Asrari noted, "The pandemic highlighted the fact that business continuity and operational resilience needs C-suite level sponsorship and focus; and, depending on the industry, the leader responsible will vary from the Chief Risk Officer and Chief Security Officer, to the Chief Information Officer and even Chief Operating Officer."

To ensure their organization's business resilience and continuity plans will be effective, board members are having more robust conversations with management about the processes, practices and back-up plans in place. Information being shared with the board is also evolving with strong enterprise risk management dashboards and tracking systems providing a strong foundation. Key performance indicators are being closely watched, everything from "days, hours, minutes in operation; work stoppages, systems downtimes and response times; employee and vendor safety; inability to get supplies or other supply chain issues; to emerging risks and mitigation plans," said Catherine Allen, Chairman, Board Risk Committee; Interim Chief Executive Officer, Shared Assessments; Chair, WCD New Mexico.

SUMMARY OF KEY FINDINGS

- Approximately 100 WCD members took the survey, 67% considered themselves to be extremely or very aware and knowledgeable about operational resilience and business continuity.

- A diverse set of backgrounds and experiences lead to bringing operational resilience and business continuity into the board room.

- Technology including cybersecurity, new technology adaption and new competition as a result of new tech, legacy systems risk, and hybrid work environments all scored highly in survey results in terms of being a top threat, strategic opportunity and an investment priority.

- Addressing human capital management arising from the pandemic was deemed critical for ensuring robust operational resilience and business continuity plans are in place and effective.

TOP THREATS

2. Cybersecurity, human capital and major business disruption rank as the top three threats to organizations.

As 2020 took digital capabilities and work from home practices to the next level, it was no surprise that 38% of board leaders surveyed reported both internal and external cybersecurity as the most cited threat. Broader IT challenges, legacy system conversions, new technology adoptions and the shift to hybrid work environments all added significant stress to existing systems.

Trish Oelrich, Audit Committee Chair at Federal Home Loan Bank, described some unique challenges pertaining to protecting against a cyberattack. "The pandemic-related workload, including improving security over work at home for everyone all at one time, along with the extra workload of ongoing resilience projects added extra pressures to IT security teams. We saw turnover in the IT security groups including in the leadership position. Rebuilding these teams and the staff and bringing in some new skills and perspectives will enable improvements to be made to the overall function and capabilities of these teams."

Following cybersecurity, human capital (17%) and major business disruptions (13%) emerged as top threats for organizations. Human capital threats included the disruption of employee workplace safety, labor shortages, talent retention and workplace expectations as concerns. Major business disruptions included, but were not limited to, the obvious financial disruptions that occurred with the pandemic, as well as weather, natural disaster events and terrorist attacks.
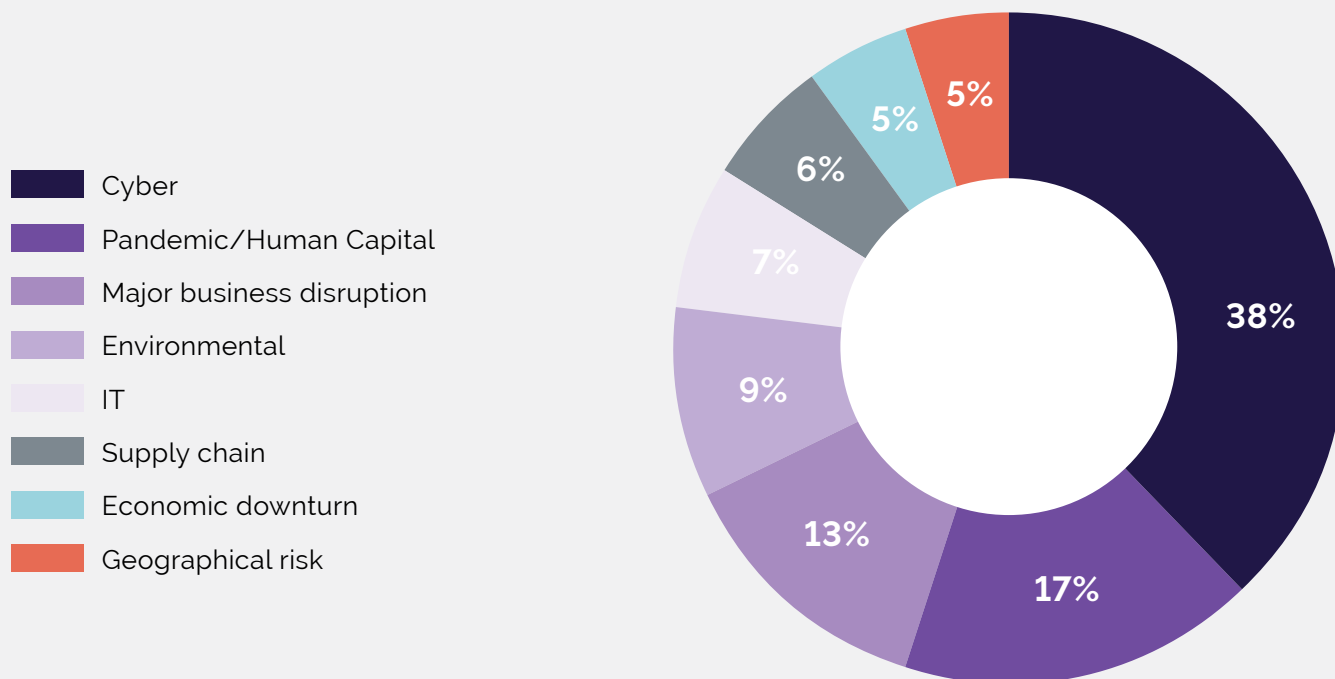
TOP THREATS

"Human capital and talent management is also a topic that boards need to pay a lot of attention to today. Without the right talent, there are no sustainable and resilient businesses. Understanding how companies are managing issues such as DE&I, retention, training, succession planning is a board's responsibility as well," explained Botero.

Respondents confirmed that these threats are being driven by external factors (36%) such as regulations, supplier shortages, customer disruptions and an organization's vulnerability to disruption (33%). Environmental change was also seen as a threat by respondents (9%), followed by supply chain concerns (6%).

"Almost all companies have been feeling the pain on the supply chain front," Asrari confirmed.

WHAT DO YOU SEE AS THE TOP 3 OPERATIONAL RESILIENCE AND BUSINESS CONTINUITY-RELATED THREATS FOR THE BOARDS AND COMPANIES YOU SERVE?

Legend:
- Cyber
- Pandemic/Human Capital
- Major business disruption
- Environmental
- IT
- Supply chain
- Economic downturn
- Geographical risk

Pie chart values: 38%, 17%, 13%, 9%, 7%, 6%, 5%, 5%

STRATEGIC OPPORTUNITIES

3. **Human capital management is a top strategic opportunity for boards and companies.**

    As companies plan for the future, HCM is clearly on the top of their priority list. Respondents indicated that successfully navigating an evolving workforce is critical to ensuring robust business continuity strategies are effective. Catherine Allen commented, "How to handle employees returning to work, whether to mandate vaccinations or how to deal with those not vaccinated as well as employee safety and welfare are all big risks for corporations. The pandemic impacted so many, even if they were not ill."

    Companies plan to implement increased training and employee retention tactics and hire additional staff to relieve some of the added workload that employees took on during the COVID pandemic. If there was ever a silver lining from all that companies and individuals went through during the massive disruption, it was the invaluable reminder of how important it is to take care of your people.
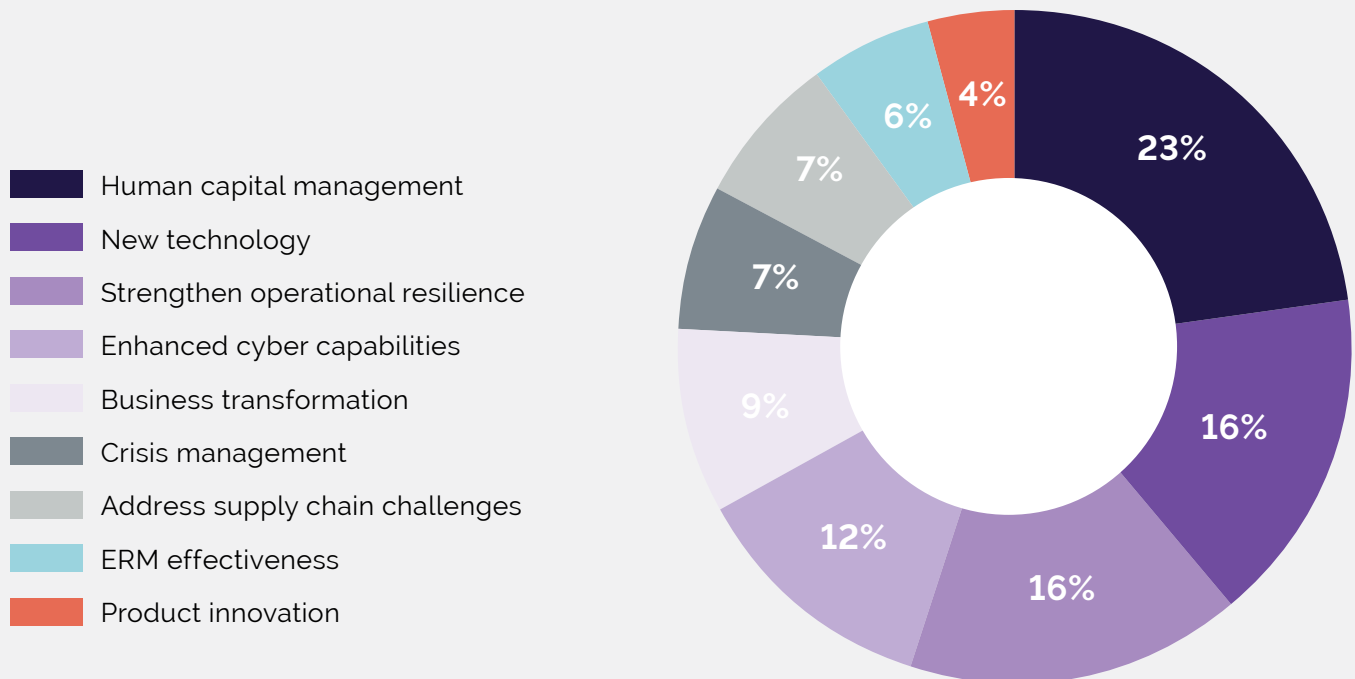
23% of directors cited HCM as one of the biggest areas of opportunity for operational resilience and business continuity.

STRATEGIC OPPORTUNITIES

In addition to HCM, other prominent opportunities that board members are seeing as a driver for future success include leveraging new technology such as the cloud, AI, robotics and digital automation (16%). Strengthening operational resilience and business continuity planning and strategy (16%) was also considered an opportunity as companies invested in more technology and developed better plans. Companies and boards are also considering business transformation (9%) opportunities, addressing supply chain challenges (7%) and tackling crisis management plans (7%).

WHAT DO YOU SEE AS THE TOP 3 OPERATIONAL AND BUSINESS CONTINUITY STRATEGIC OPPORTUNITIES FOR THE BOARDS AND COMPANIES YOU SERVE?

- Human capital management
- New technology
- Strengthen operational resilience
- Enhanced cyber capabilities
- Business transformation
- Crisis management
- Address supply chain challenges
- ERM effectiveness
- Product innovation
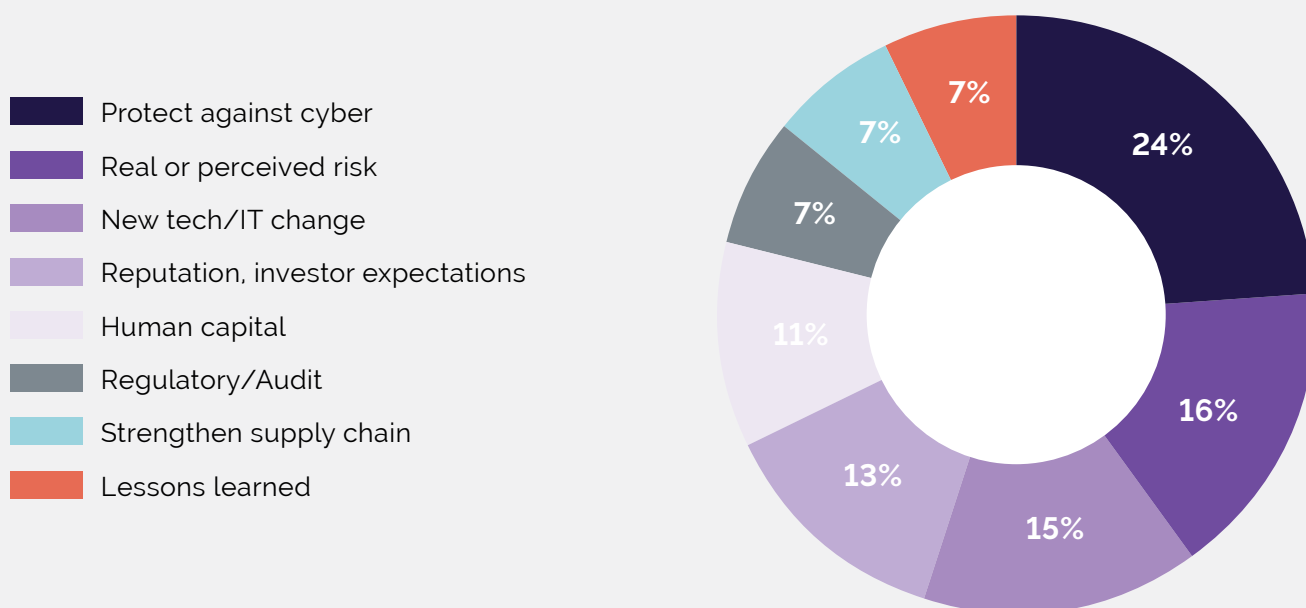
23%
16%
16%
12%
9%
7%
7%
6%
4%

INVESTMENT PLANS

4. **Protecting against a cyberattack is one of many factors leading to an increase in operational resilience and business continuity investment programs.**

Cybersecurity continues to be a key determinant of change, especially in the area of investments. In fact, investment in operational resilience and business continuity is increasing and cybersecurity, as one of the biggest threats in this area, is a key driver. Moving forward, 70% of directors expect investment in shoring up operational resilience and business continuity processes and practices to increase.

When asked to describe what they saw as a key driver of investment levels in operational resilience and business continuity, 24% cited protecting against cyber threats. Following cyber threats, 16% of respondents stated increased investment due to real or perceived risk of some disruption to the organization. New or changing technology (15%) was also cited as a driver for increased investment. In addition, as noted above, to ensure robust processes and operations, increases to staff, additional training and retention plans were deemed as important investments for success.

WHAT DO YOU SEE AS KEY DRIVERS OF INVESTMENT LEVELS IN OPERATIONAL RESILIENCE AND BUSINESS CONTINUITY?

Legend:
- Protect against cyber
- Real or perceived risk
- New tech/IT change
- Reputation, investor expectations
- Human capital
- Regulatory/Audit
- Strengthen supply chain
- Lessons learned

Chart values: 24%, 16%, 15%, 13%, 11%, 7%, 7%, 7%

CONCLUSION

Recent crisis such as the pandemic, global supply chain issues including chip shortages and freight disruption, ongoing ransomware and cyberattacks along with geopolitical risks have prompted boards to raise the bar on operational resilience and business continuity plans and expectations. We expect to see increased investment spend to strengthen resilience management efforts and continued attention in the boardroom focused on ensuring effective and sustainable business operations are in place.

Trish Oelrich states, "The Board's role in the area of operational resilience and business continuity, in addition to approving and funding a strategic review, is to discuss the results of the resiliency reviews conducted and work with the CEO and the leadership team to develop a strategy to progress the organization and strengthen its resilience. The whole board should review, approve and be engaged on the strategies and budgets related to this effort."

CONCLUSION

QUESTIONS BOARDS SHOULD BE ASKING MANAGEMENT

The first step in the business continuity journey is to figure out where your organization is right now by answering the question, "Are you really prepared?" To fully answer that question, review each of the following questions, rating your answers using a 1 to 10 scale (low to high):

1. How resilient is your organization's financial model (revenue-generating approach)?

2. How resilient is your organization's customer demand for your products and services?

3. How resilient are your organization's product/service delivery channels (how you reach and deliver to your customers)?

4. How resilient are your organization's partners (and your supply chain in general)?

5. How resilient are your organization's other business capabilities (the processes and resources that contribute to product/service delivery)?

6. How demanding are your customers' expectations regardless of circumstance?

7. How confident are you that there aren't any vulnerabilities that you're unaware of (for example, single points of failure)?

8. How confident are you in your organization's ability to respond effectively to crisis or disruption (team, response capability, competencies)?

9. How confident are you in your organization's ability to communicate effectively with internal and external stakeholders throughout a crisis or disruption?

10. How confident are you in your organization's ability to recover in a timely manner following the onset of a crisis or disruption?

Now, from 1 to 100, where are you? Answering the above questions and discovering how you rated your organization is important for determining next steps. It helps prioritize closure of the "cracks" based on internal pain tolerance, customer expectations, and the impact on the marketplace in general.

METHODOLOGY

This study was distributed as an online survey of WCD members, conducted from June 7 to June 20, 2021. Approximately 100 members responded to the survey and 70% of respondents serve on the board or leadership team of a public company.

PLEASE INDICATE THE GEOGRAPHIC REGION(S), FOR THE BOARDS/ COMPANIES YOU SERVE. (PLEASE CHECK ALL THAT APPLY).

- US only
- US and Canada
- Europe
- Asia-Pacific
- Central and South America
- Middle East and Africa
- Global
- Canada only

Pie chart values: 29%, 19%, 16%, 13%, 13%, 7%, 2%, 1%
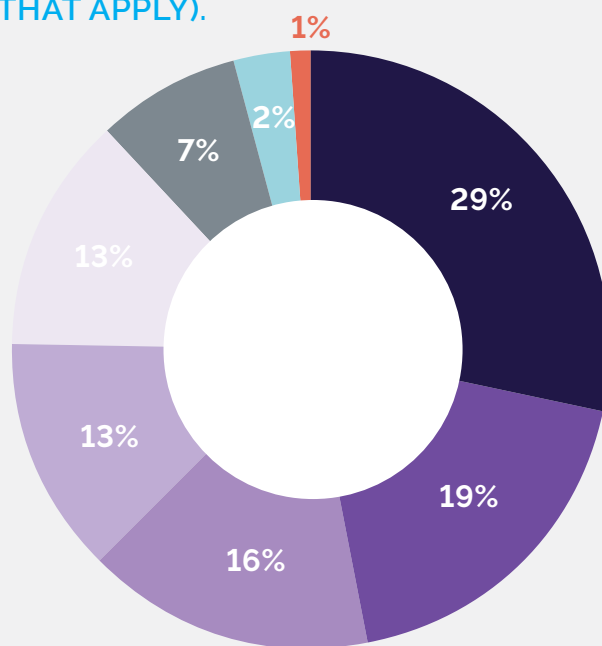
PLEASE INDICATE THE PRIMARY INDUSTRIES FOR THE BOARDS/COMPANIES YOU SERVE. (PLEASE CHECK ALL THAT APPLY).

- Financial
- Technology
- Healthcare/Pharmaceutical
- Consumer/Retail
- Energy
- Other entries

Pie chart values: 37%, 19%, 13%, 11%, 10%, 10%
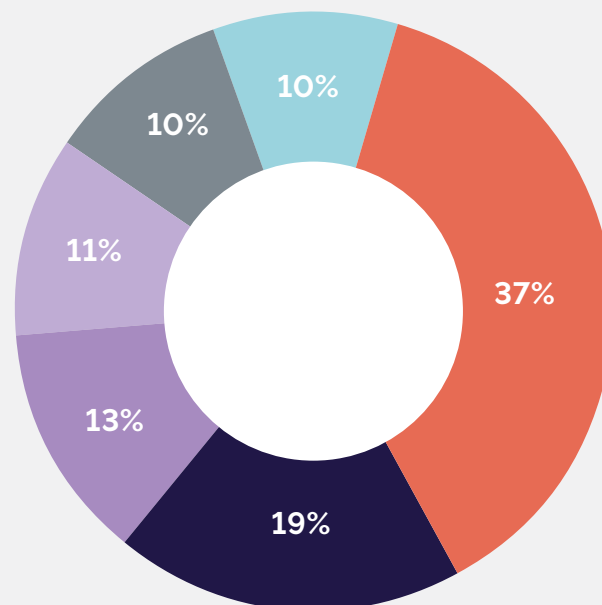
ABOUT WOMEN CORPORATE DIRECTORS EDUCATION AND DEVELOPMENT FOUNDATION, INC.

A unique global network, the Women Corporate Directors Education and Development Foundation (WCD), a not-for-profit organization, has served as the place where the most powerful and influential women in the world have convened for more than 20 years.

WCD is recognized as:

- A bold catalyst for board diversity
- A true world-wide peer community for seasoned and acclaimed female corporate directors
- A critical resource for board opportunities
- A leader in developing high-quality governance programming, thought leadership, and sharing best practices
- A valued facilitator accessing critical insights from leading authorities across a variety of industries and topics

Our Mission

As the preeminent organization for women directors globally, WCD seeks to:

- Foster a powerful, trusted, and global community of women corporate directors who meet specific and objective criteria
- Increase representation of women on public and large private company boards and in board leadership positions
- Increase the pipeline of aspiring and qualified female board candidates
- Inspire visionary boards worldwide – by providing education and tools that keep members engaged, informed, and high-performing as directors.

For More Information

To learn about the benefits of WCD membership and how to join, visit **womencorporatedirectors.org.**

ABOUT CASTELLAN

As the largest provider of business continuity and operational resilience management solutions – spanning consulting, software, managed services, and staffing – Castellan is uniquely positioned to help clients find the right balance of risk tolerance and resilience to protect their employees, brand, and bottom-line. Leveraging a proprietary proven process for driving business continuity success, Castellan partners with clients to establish a clear vision, drive real results, and provide on-going support from their community of business continuity experts. Castellan helps clients replace uncertainty with confidence.

For more information, visit **castellanbc.com.**

ADDENDUM

IN LIGHT OF POST 2020 IMPACTS, PLEASE INDICATE HOW YOUR BOARD'S PRIORITIZATION OF OPERATIONAL RESILIENCE AND BUSINESS CONTINUITY HAS CHANGED?

- Consistently a board priority
- A greater board priority, post 2020
- Only a priority when audit findings arise
- Only a priority when there is a customer/ partner inquiry into operational resilience or business continuity
- Not a board priority
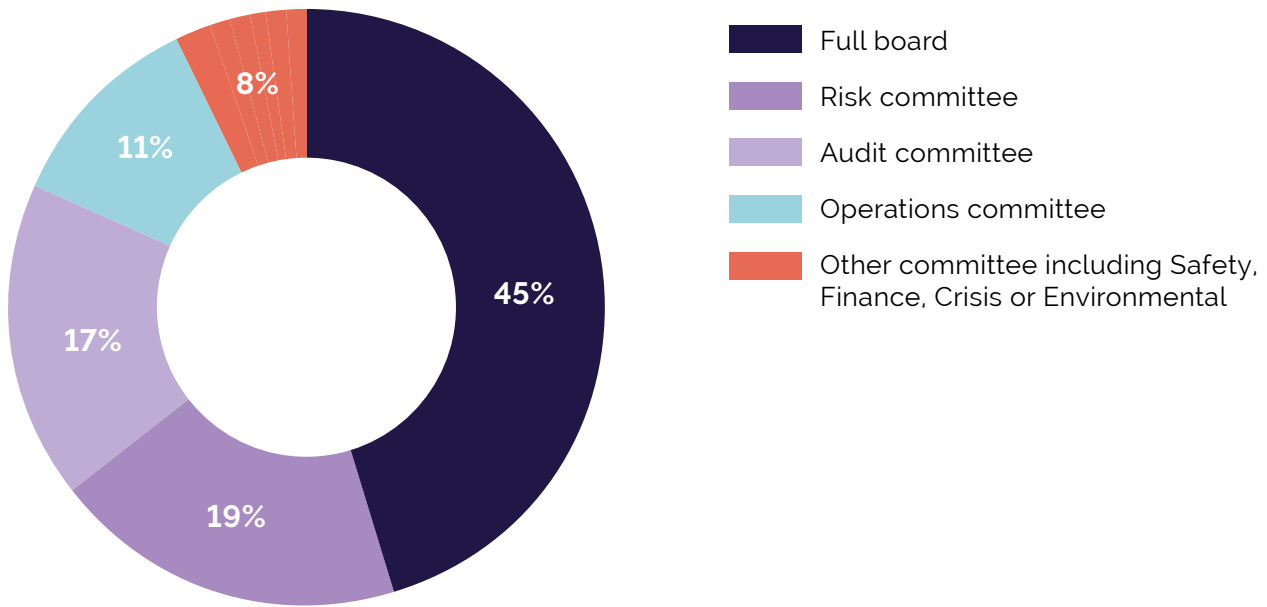- Occasionally a priority

2% 2% 1%

5%

30%

60%
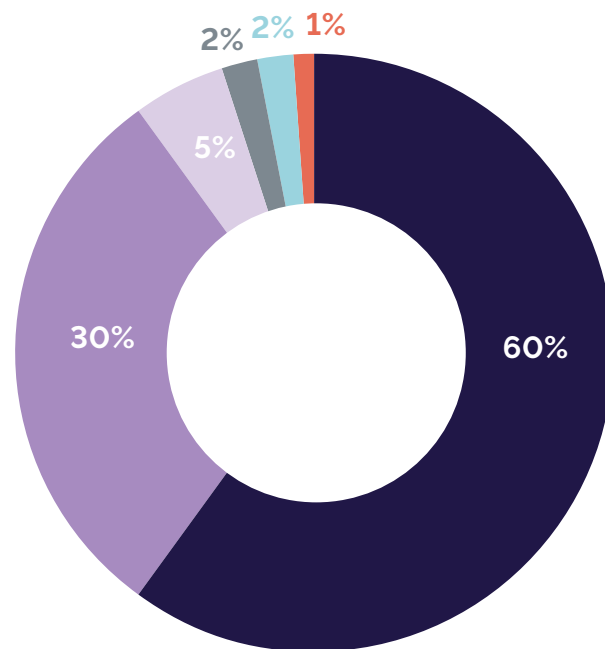
IN THE NEXT 12-18 MONTHS, HOW DO YOU EXPECT INVESTMENTS IN OPERATIONAL RESILIENCE AND BUSINESS CONTINUITY STRATEGY AND SOLUTIONS TO CHANGE FOR THE BOARDS AND COMPANIES YOU SERVE?
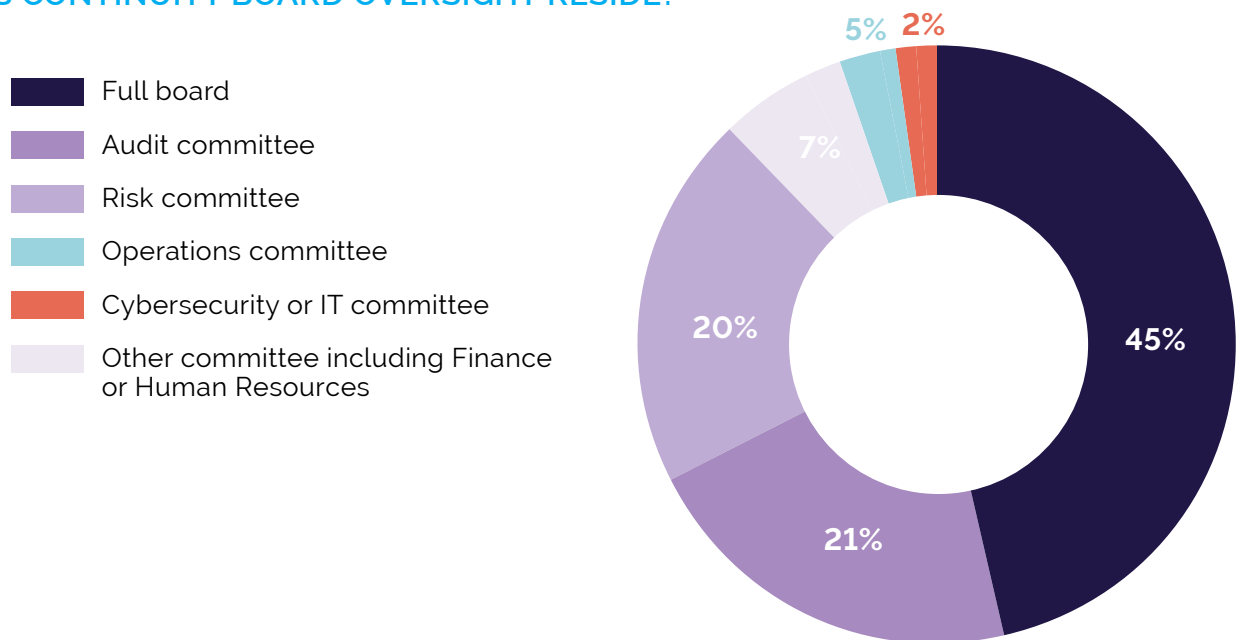
13%

30%

57%
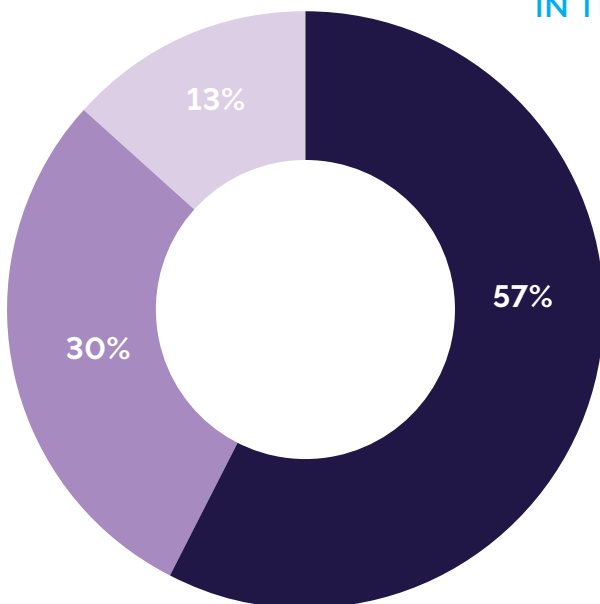
- Moderate investment increase
- Investment will remain the same
- Significant investment increase

ADDENDUM

ON THE BOARDS YOU SERVE, WHERE DOES PRIMARY RESPONSIBILITY FOR OPERATIONAL RESILIENCE BOARD OVERSIGHT RESIDE?

- Full board
- Risk committee
- Audit committee
- Operations committee
- Other committee including Safety, Finance, Crisis or Environmental

45%
19%
17%
11%
8%

ON THE BOARDS YOU SERVE, WHERE DOES PRIMARY RESPONSIBILITY FOR BUSINESS CONTINUITY BOARD OVERSIGHT RESIDE?

- Full board
- Audit committee
- Risk committee
- Operations committee
- Cybersecurity or IT committee
- Other committee including Finance or Human Resources

45%
21%
20%
7%
5%
2%