Beyond Continuity Planning: Building a Resilient Organization

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The COVID-19 pandemic caused significant hardship for some organizations while others almost seamlessly adapted to a new way of operating. Forces such as government mandated shutdowns, an abrupt reduction in discretionary consumer spending, and the financial health of the organization prior to the pandemic certainly played a role in dictating the trajectory of organizations. Yet these factors alone fail to explain the differing outcomes of many organizations.

In a recent survey, only 69.2% of organizations had formal continuity plans and of those that did, only 46.3% had specific provisions relating to a pandemic.[1]

For many organizations, COVID-19 has been the first true test of their business continuity plans. Business continuity/disaster recovery (BC/DR) plans are certainly important, but the organizations least impacted by the pandemic had more than a set of reactive plans, they built resilience at all levels of their organization. Formally defined, organizational resilience is “the ability of an organization to absorb and adapt in a changing environment to enable it to deliver its objectives and to survive and prosper”[2]. Exhibit 1 summarizes how resilience extends beyond BC/DR planning.

Standards such as BS 65000 “Guidance on Organizational Resilience” and ISO 22316 “Security and Resilience – Organizational Resilience – Principles and Attributes” exist, yet they focus primarily on the attributes of a resilient organization, not the process for building resilience within an organization. The process undertaken by Fannie Mae to enhance resilience offers actionable advice on how to achieve resilience in organizations of all types and sizes.

Exhibit 1: BC/DR vs. Resilience

Traditional BC/DR	Organizational Resilience
Set of procedures for rebuilding infrastructure and resources to resume operations	Structuring infrastructure and resources to be flexible and adaptable to a broad range of possible disruptions
Often event-driven and scenario-based: “in the event of a hurricane, we will do…”	Impact-driven: “If our primary facility is inaccessible or unsafe for entry, we will…”
Plans are developed, owned, and maintained by dedicated function/personnel and shared with key personnel on the response team	Resilience is centrally coordinated, but is embedded and promoted within every business function
Tested and updated on regularly scheduled intervals	Refined and optimized in an ongoing basis as part of business process improvement efforts
Responsibility buried several layers deep within organizational hierarchy	Centralized senior leadership, distributed responsibility vertically across levels and horizontally across functions

[1] Responses from 519 organizations participating in the 2020 SIM IT Trends Study.

[2] Definition from ISO 22316: “Security and Resilience – Organizational Resilience – Principles and Attributes”

Building Resilience at Fannie Mae

Fannie Mae is a leading source of financing for mortgages in the United States. As a key player in the financial services industry, Fannie Mae must continue to provide services through any adverse situation. It invested in business continuity, technology continuity and incident/crisis management, but like most organizations, these functions were fragmented with no common thought leadership or roadmap thus limiting Fannie Mae's ability to deliver on its continuity vision. To overcome these limitations, Fannie Mae consolidated these functions under a single organizational structure and hired Bob Fucito as the new Vice President of Enterprise Resiliency and Crisis Management.

Fucito's team has been actively building resilience at Fannie Mae for three years now. He credits commitment from top management and the cooperation of leaders across the organization for the successes his team has achieved thus far. While Fannie Mae's journey has been complex, five key lessons emerged that can help organizations with their own resilience initiatives.

1. Prioritize Capabilities

The first step in centralizing resilience was to canvas the entire organization to identify key capabilities driving the business. Focusing on capabilities, rather than individual functions, shifted the focus toward outcomes and how collections of business processes, human capital, and technological resources come together to drive value within the organization. An example capability was "managing cash position and cash flow", which spans numerous functional areas thus allowing the team to understand interdependencies across the organization.

All identified capabilities were then prioritized based on their overall importance to the organization's core mission. Prioritizing at the capability level, rather than the functional level, provided a holistic view compared to evaluating the importance of every functional unit independently. It also helped to identify not only "who" and "what" was critical across the organization, but more specifically "when" a process, function, or resource was critical.

2. Understanding Key Capabilities

Out of the many identified processes, six capabilities were derived based on established guiding principles of managing cash, funding obligations, and transacting new business. For each capability, a horizontal view of the business processes contributing to the capability was developed to identify gaps. The goal was not to create process maps, but rather to inventory, prioritize, and govern all the moving parts of each capability. From there, the resilience team, in close coordination with the business and technology partners, compiled a detailed inventory of the technical components and resources needed to support each process in the capability. The technical components were oriented vertically underneath each step in the capability to create a complete view of the dependencies and interdependencies both within and across key capabilities.

Throughout this process, some identified components were managed by third party vendors. Fannie Mae directly engaged these vendors in their resilience efforts rather than treating them as a black box. Refer to the inset below for additional considerations for third parties.

3. Focus on Impact, Not Events

With robust capability maps created, the resiliency team began identifying and quantifying potential impacts to components in each key capability. This effort was not driven by the identification of threats or events, such as a pandemic. Rather, it focused on the outcomes and how they affect each capability (such as employees not being able to physically access an office location).

Impacts were then quantified to allow for customizable responses. An inaccessible office complex could be temporary (hurricane evacuation), mid-term (flood damage requiring repairs), or permanent (fire destroys entire complex). Response plans could then be stacked on top of each other. For example, the need for temporary relocation or remote work arrangements exists no matter the severity, but reconstitution plans would be different, depending on the severity of the impact.

As plans were developed to deal with potential impacts to key capabilities, process owners and leadership throughout the business were constantly engaged to ensure that response plans were feasible, cost-effective, and adequate for ensuring the ongoing performance of key capabilities.

4. Proactive Planning to Mitigate Impact Before Disruption

Fannie Mae was in a much better position after the centralization of resilience and crisis management functions and the creation of response plans for key capabilities. However, they implemented new initiatives to protect key capabilities from disruption and to mitigate the impact, should a disruptive event occur. These efforts required close coordination with risk management and cybersecurity teams.

One such mitigation effort was to enroll in the Closed Point of Dispensing (C-POD) program. This program allows for large organizations to secure courses of medicine and other personal protective equipment for distribution to their employees, contractors, and their families in the event of a large-scale disaster situation thus improving the safety of all personnel.

They also invested in a critical event management system to sense where possible disruptions to key capabilities may emerge and to quickly notify key personnel of potential dangers or disruptions to operations. This system provides Fannie Mae with the ability to quickly identify potential disruptions, thus allowing for a faster and more tailored response.

Ensuring Resilience With 3rd Party Service Providers

Resilient organizations take a proactive approach when relying on service providers. It begins with a robust risk assessment prior to engaging key third party vendors. Due diligence should be performed before entering any vendor arrangement and it must consist of verification of the service provider's resilience strategy.

After entering a service arrangement, it is important to take an active role in working with key vendors to ensure continuity of operations in the event of disruptions. From a supportive standpoint, organizations should identify ways in which they could redeploy resources to support the services provided by vendors in the event of a disruption. Contingency plans should also be developed for both short- and long-term vendor outages. Just as internal business functions may have recovery time objectives (RTOs), RTOs should be identified for key vendors. Long term strategies involve the identification exit plans for how the resilient organization will either perform the services themselves or onboard a new vendor quickly to minimize disruption to operations.

Once vendors are fully vetted and proactive plans are in place for working with vendors through disruptive events, it is important to engage third parties in all testing efforts. To fully gauge whether capabilities are resilient, an organization must not only verify their own ability to fall back to backup systems and operational processes but should also verify that key vendors can do so simultaneously. This requires close coordination with vendors and should therefore be negotiated as part of the contract to ensure vendors are willing to cooperate in such testing efforts.

5. Conduct Realistic Testing Scenarios

Mike Tyson famously said, “Everyone has a plan until they get punched in the mouth”. Unfortunately, many organizations first realize their continuity plans are inadequate when faced with an actual disaster situation. Most testing of continuity plans lacks realism and can give organizations a false sense of security. To combat this, Fannie Mae committed to performing large-scale, realistic tests that simulate various impacts to their key capabilities.

Such end to end tests are performed regularly and include full-scale failovers to backup systems. Fannie Mae leaves backup systems running for a week or longer in production mode to provide assurance that any redundant systems can handle full processing demands and resilience of the entire capability can be assessed. Fannie Mae also performs tests that engage users like staging a day and time for employees to run functions out of region due to a wide-scale disruption should everyone need to abruptly work from remote locations. They also perform table-top exercises with leadership and businesses across the enterprise to simulate critical decision-making during times of crisis and conduct emergency notification drills to ensure all employees can be contacted when disasters occur.

Such tests verify the adequacy of response plans but building true resilience requires honest evaluation of those tests. It is easy to write off minor hiccups as anomalies, but such issues are documented, and plans are updated to help prevent those issues from presenting themselves in a real disaster situation. This is all part of a continuous improvement program embraced by the firm.

While there are many other components to Fannie Mae’s resiliency strategy, these five lessons offer insights into how to build a truly resilient organization. During the COVID-19 pandemic, Fannie Mae has reported having no disruptions to both its internal operations and the services provided by third-party vendors. Fucito was pleasantly surprised by the organization’s ability to seamlessly transition to a full remote work operation since it was never tested at scale, but was also quick to realize that every disruption presents a new set of challenges and tests of an organization’s resiliency. Continued focus on promoting resilience, buy-in from the leadership team, and expecting the unexpected are all necessary traits of the resilient organization.