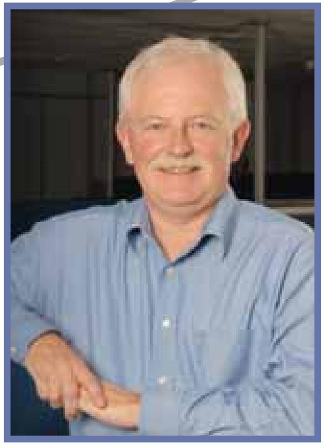
hronicles

Q1 2011

*Keeping **ContinuitySA** clients informed*



Business UPDATE

From Allen G Smith, CEO

The top 10 business continuity issues for 2011

Having survived a successful world cup and emerged relatively intact from a recession that is still causing havoc in the major economies of the West, South African business enters 2011 with cautious optimism. While a positive outlook may be warranted, well-governed businesses cannot ignore the real risks that will face South African companies in 2011, a year in which IT leaders especially can expect to shoulder more responsibility in terms of risk identification and mitigation.

"Whether it's an economic recession, crumbling infrastructure, social unrest, or any combination of these or other events, 2011 in South Africa is likely to be the year business continuity plans are put to the test," says Allen Smith, CEO of ContinuitySA. "We're facing threats of unrest, as well as political, social and economic instability not seen in the last 15 years.

"Unfortunately, due to the poor economy, many companies are skimping when it comes to Business Continuity Management, some are even ignoring their corporate governance responsibilities altogether despite new legislation. This is dangerous as 2011 is not the year to take such an enormous risk."

Smith believes the following will be the top 10 issues businesses will face in 2011 that will cause them to test the efficacy of their Business Continuity plans.

Continued on p2

In this issue

1. Business Update
3. Continuity finalises R35 million buyout from Dialogue
4. On the Consulting Front
5. Complete Continuity Training Academy Solutions
6. Supply Chain Continuity - Ericsson vs Nokia
7. Building Resilience around Corporate Risks
8. From the CGF
10. Business Continuity Awareness Week

Continued from p1

1. Recession

While there may be substantial talk of beating the recession, the reality is it will take some time and careful management before the economy stabilises. The year ahead may well bode well for the economy, but the recovery is expected to be patchy at best.

We must also consider the global economy and its effect on South Africa. Ireland is the latest on a fairly long list of European problem children, which will have a ripple effect on the African continent.

2. Government performance/ service delivery

All the talk and political manoeuvring aside, the lack of basic service delivery from government will continue to escalate and even expand to all segments of society. Government's inability or unwillingness to act will be met with more social unrest and the radicalisation of the poor. From a business perspective, blockades and injury could prevent employees and customers from accessing your premises, or it could prevent your staff from getting to customers.

Then there are the health risks posed from poor services in built-up areas. A breakdown in emergency services seems unlikely, but can't be discounted.

And what more can be said about corruption?

3. Militant unions and more social unrest

Following on from above, 2010 saw the beginning of more militant union activity. Given the success of the unions in 2010, companies should expect more of the same in 2011. Even ignoring the economic realities of these activities, the corresponding social unrest will probably increase as radicalisation and/or criminalisation takes hold among the millions of unemployed unless government finds a way to deal with the real issues facing the people.

4. Electricity concerns

Eskom is still a concern and as the economy grows it will simply not be able to meet the electricity demands placed on it. The good news is that there are projects underway to alleviate the pressure, but one needs to consider the capacity to supply of electricity in context. Disruptions, blackouts and rolling blackouts may become a daily feature as they have been in the past.

5. Water contamination and flooding

Water is also a concern, not only the availability of water, but the availability of clean drinking water. Additionally, Gauteng's rising water table is a major concern, especially for those who build data centres and document archives in their basements. This is largely due to acid drainage from decades of mining and is a problem that may be difficult to resolve.

6. Foreign nerves

With talk of nationalisation and the shenanigans happening in Zimbabwe, plus the points above, potential foreign investors are bound to be somewhat nervous about the risks of investing in South Africa. The BRIC (Brazil, Russia, India and China) emerging markets seem far more stable and investor friendly. The high levels of corruption will not alleviate this nervousness either.

7. The year of measurement

The new regulations and corporate governance best practices that will come into effect in 2011, including the new Companies Act, will make it a year of measurement. It will no longer be enough to make a best effort at corporate governance; compliance officers will need to measure compliance according to accepted standards and ensure their companies make the grade.

8. Supply chain continuity

Ensuring your business is secured is no longer enough to meet Business Continuity Management standards. 2011 is the year companies include their supply chains in their Business Continuity and Disaster Recovery initiatives, measuring every internal and external component of their business to ensure they can continue operations in an emergency.

9. The cloud computing silver bullet

Cloud computing is all the rage these days and analysts expect 2011 to be the year a significant number of companies adopt this concept. Smith acknowledges the benefits of cloud services, however, he warns that simply assuming your service provider is backing up your data or making accurate mirror copies is a mistake. Assume nothing and take the responsibility to ensure your data is secured.

10. Global climate change

We're used to hearing of climate threats, but sustainability is becoming more important and will soon be legislated. Preparing for unexpected climate surprises and ensuring your company makes every effort to build sustainable business processes is no longer politically correct, but a necessity. Do it before you're forced to.

"It doesn't matter whether you're a large or small company," notes Smith. "If you need to operate to generate income you have no choice but to understand the risks your company may face in the future and implement the relevant programmes to ensure you are able to deal with them, while continually measuring and improving your risk mitigation performance. The alternative is to simply hope for the best and this is no longer good enough."

ContinuitySA finalises R35 million buyout from Dialogue

The transaction that results in the Continuity Investment Trust and CoroCapital buying out the 51% interest in ContinuitySA from the Dialogue Group became effective as of 1st February 2011. Africa's largest business continuity service provider, ContinuitySA now has CoroCapital holding 49% of its shares, with the Continuity Investment Trust, represented by the management and staff of ContinuitySA, increasing its holding to 51% of the company.

Allen Smith, CEO of ContinuitySA says, "Together with a well funded equity partner, our solid financial standing puts us in a good position to grow the company both organically and through acquisitions over the coming years."

ContinuitySA is positioning itself as an innovative provider of next generation business continuity services largely on the back of the availability of affordable bandwidth. Already most bandwidth suppliers have connected ContinuitySA sites to their networks. ContinuitySA has shared and agreed its vision of the future with CoroCapital and the partnership will play an important role in the company's future.

CoroCapital, a subsidiary of Coronation Investment and Trading, is an investment banking specialist focusing on quality unlisted and listed equity opportunities.

"We are delighted to combine CoroCapital's financial acumen with ContinuitySA's proven track record in providing its blue-chip clients with a total business continuity solution," says Peter Vogel, executive director of CoroCapital. "Given that South African corporations are investing more effort and time into the areas of risk management, business continuity, crisis planning and the provision of business recovery facilities, it is our view that ContinuitySA is well positioned to continue its growth path in offering these critical services."

The top five benefits of electronic business continuity management

Karen Humphris
Consultant

Business continuity is joining many other enterprise applications and processes by adopting electronic storage and cloud computing as a means of retaining and maintaining a dynamic corporate continuity platform. Far from the days of static, paper-based business continuity plans stored in an archive that were accessed once per year, electronic continuity plans are always available and adaptable to changing situations and environments.

"We're even seeing business continuity plans being stored in the cloud, on a secure, third-party server to ensure these plans are readily available anywhere, at all times and on any device," says ContinuitySA consultant, Karen Humphris. "By moving to a software-based BCM tool, businesses can develop a dynamic, ever-evolving business continuity plan that meets their current needs instead of the requirements of a company that existed a year ago."

Humphris says the measurable value in moving to electronically based, software-driven business continuity plans include the following benefits:

1. **Consistency:** Electronic programmes ensure a consistent approach to BCM throughout the organisation based on the latest guidelines and standards. Every department will access the same policies and procedures and will always have the latest continuity processes to work with. A person or a team may be responsible for maintaining the system, ensuring a single update is automatically disseminated through the company immediately.
2. **Dynamic:** The information can be dynamically managed and maintained. Even small changes in departments will be recognised and automatically incorporated into the corporate business continuity plans.
3. **Analysis:** Electronically stored business continuity data is easier to analyse from a business intelligence perspective than collating piles of paper. This forms a secure and informed foundation to enhance decision-making.
4. **Accessibility:** Using a hosting function (cloud computing) or Web-based approach ensures that information is available from any location and at any time, even during a disaster. Moreover, a Web-based approach means the relevant people can access the system from almost any device with an Internet connection.
5. **Green:** In this age of environmental sensitivity, reducing the amount of paper-based processes within a company can only be beneficial and support other green initiatives within the organisation, helping to reduce its carbon footprint.

To ensure its customers are able to meet the demands of environmentally and efficiency aware 21st century organisations, ContinuitySA, South Africa's leading business continuity and disaster recovery specialist is collaborating with Cura Software Solutions, a global developer of software designed to enable businesses to quickly achieve the bottom line benefits of GRC (governance, enterprise risk management and compliance). The partnership is developing an easy-to-use electronic solution to business continuity management that will effectively remove the need for paper-based solutions.

Chantal Coetzer

Senior BCM Consultant/ Training Facilitator

Complete Continuity® Training Academy Solutions delivering value!

In our endeavors to remain the premier Business Continuity Management service provider, ContinuitySA's Complete Continuity® Training Academy Solutions has again achieved a significant milestone, in that our two (2) day and five (5) day Complete Continuity® Training Programmes have now been accredited by the Botswana Training Authority (BOTA), thus ensuring our Botswana clients continue to receive the highest quality in content and delivery of the programmes!

In summary our two formalised programmes; the two (2)day Complete Continuity®Training programme as well as the five (5) day Complete Continuity®Pracitioner programme now have the following accreditation merits:

- Isett Seta in South Africa;
- BOTA in Botswana;
- Mauritius Qualifications Authority (MQA) in Mauritius and
- Content Approval by the Business Continuity Institute.

In addition Complete Continuity® Training Academy now offers all interested delegates, that attend or have attended the five (5) day Complete Continuity® Practitioner Programme from the 1st September 2010, a value added service whereby we will facilitate the registration process for the CBCI exam – at no additional cost (Terms and Conditions apply).

The CBCI exam is based on the 2010 Good Practice Guidelines that was released on the 1st of September 2010 and can be purchased through the Business Continuity Institute (the BCI) by non-members, however, all delegates attending the five (5) day Complete Continuity®Practitioner Programme will receive a hardcopy version of these guidelines at no extra cost.

Lastly, and most significantly, without impacting our highest quality content, we have considerably reduced the price of our five (5) day Complete Continuity®Practitioner Programme. Kindly contact our Complete Continuity® Training Academy on (011) 554 8000 or training@continuitysa.co.za for more information.

We at ContinuitySA's Complete Continuity® Training Academy believe that these significant enhancements will be of considerable benefit to you, our client!

Some benefits of attending one of our training programmes would include:

- Access to experienced facilitators with either MBCI or FBCI accreditation from the Business Continuity Institute and
- Programme content that is based on practical knowledge gained from many years in the field of business continuity and which is compliant with global Business Continuity Standards.

We trust you will take advantage of these benefits, in receiving exceptional education in the niche discipline of Business Continuity Management.

For further details you can visit our website **www.continuitysa.com/services/training**, register online or contact Chantal Coetzer on (011) 554 8000 or via e-mail training@continuitysa.co.za

isett seta
COMMITTED TO SKILLS DEVELOPMENT IN THE ICT SECTOR
Acc/2009/00/885
Accredited ISETT Education and Training Provider as per www.isett.org.za

BOTA
BOTSWANA TRAINING AUTHORITY

Upcoming BCM training courses for 2011

- 2 Day training 8th & 9th March – Johannesburg
- 2 Day training 29th & 30th March – Cape Town
- 5 Day training 9th to 15th April – Johannesburg

Business Continuity Institute | endorsed training content approved

MAURITIUS QUALIFICATIONS AUTHORITY

Derek Taylor (CISA)

Business Development Manager

Ericsson versus Nokia

A FIRE THAT CHANGED AN INDUSTRY

As companies now source their materials from further and further away and as key customers are increasingly spread around the country and the globe, supply chain continuity management is becoming increasingly important in identifying and mitigating the potential risks that a disruption would have on the business. In today's global business ecosystem, a disruption can lead to the discontinuance of a business and research carried out on some 800 instances of supply chain disruptions affected long-term shareholder value by as much as 40%. It doesn't matter what caused the disruption, the fact remains that disruptions devastate corporate performance in the short to long term.

In March 2000 a lightning strike hit a high-voltage power line that supplies electricity to an industrial area situated near Albuquerque, New Mexico. The surge in the power supply resulted in a fire that broke out at the Royal Phillips Electronic radio frequency microchip manufacturing plant, where several thousand wafer thin silicone microchips were manufactured and housed. The blaze was extinguished within minutes and the initial investigation revealed that only a few trays of these specialist microchips had been damaged.

Manufacturing specialist electronic components like micro-microchips requires a "clean-room" environment with tolerances of only a speck of dust per cubic foot – these manufacturing facilities are ten thousand times cleaner than today's modern hospital operating theatres – and herein lies the problem.

With the aftermath of the fire, investigators soon realised that a combination of smoke and water used in suppressing the fire had actually contaminated millions of microchips instead of the initial few trays as previously reported. Phillips management estimated that it would take a week to complete the cleanup of the microchip production line and communicated this to both Ericsson and Nokia. Nokia acted swiftly and executed their crisis management and business continuity plans – in doing this Nokia were able to source spare capacity of the microchips from other Phillips plants and went as far as to re-design the internal circuitry of a number of their hand-sets to make them compatible with microchips manufactured in Japan and America.

Ericsson took a different approach and opted to wait for the Phillips production line to come back on line. What was said to take a week to clean up, turned out to be a six week exercise to complete and when Ericsson realised that the delay was impacting negatively on the production of their hand held devices and tried to source alternate suppliers – Nokia by this time had bought up all surplus Phillips microchip stock.

It's important to note that the mobile telephone market was growing 40% year on year back in 2000 and that Phillips microchips were to be found in 80% of mobile phones sold worldwide. Nokia's initial reaction and effective response to the Phillips disaster resulted in a 42% rise in profits and 30% increase in global market share, Ericson on the other hand reported a second-quarter loss of $200 million in its mobile phone division, a $335 million loss in annual earnings and six months later a further $167 million loss. Ericsson was forced to outsource their mobile phone production to Flextronics which resulted in the loss of several thousand jobs.

The assumption that suppliers can and will deliver on time accurately 100% of the time sounds fantastic, the reality is that this may not always be the case and that the lack of supply chain continuity within the supply chain, may well result in the discontinuance of a business.

Building Resilience AROUND Corporate Risks

Jacob Mothupi, MBCI

CEO ContinuitySA – Botswana

Commercial, market and political risks are somehow seen as different. Perhaps that is encouraged by a lack of confidence and knowledge in these areas. Given the economic uncertainty and the growing potential for political unrest in many parts of the world, surely this is misguided given that these are risks most likely to threaten an organisations survival.

If banks collapsed, this may impact a manufacturer's export markets. If key suppliers close down, this may impact a retailer's strategic sourcing. If political disruption breaks out, this may impact a service provider's key outsourced call and processing centre. Resilience and business continuity management thinking has much to offer in seeking to manage these potential and increasingly realistic challenges. This is an area where enterprise risk management (ERM) and business continuity management BCM may be able to join forces to ensure that each has a stronger role to play within an organisation's overall approach to risk and resilience.

ERM offers a framework for considering sources of uncertainty that could impact on an organisation's strategic objectives regardless of source. An ERM process will therefore identify uncertainty which may derive from broad trends (economic downturn, political instability, credit availability, etc) as well as distinct unexpected events on which BCM has more traditionally been focused. By combining the two, the organisation may be able to create a more holistic approach to building resilience. After all 'resilience' is defined as the ability of a body to return to its original shape following deformation. This is characterised by 'bouncing back' from adversity.

Building resilience is more about changing the attitudes and behaviours of managers than implementing controls and processes. It creates a readiness to respond and adapt to changing circumstances. It is therefore about the organisation's culture and values in the end. If corporate culture is key, what does success look like?

Corporate Intelligence: Resilient organisations are constantly scanning the horizon for what might be coming towards them. This implies they are 'setup' to operate this way, with specific people assigned the task of looking for these particular types of issues and a clear reporting and escalation process for responding in a timely manner. Corporate Defense structures often have access to sources of information not available to line management.

Accepting the Change in Circumstances: Key to adapting and bouncing back is psychologically accepting that the world is moving on and that the past certainties may need to be left behind. Organisations that can rationalise the change, and move quickly and effectively, will be more successful. So a barrier to managing change is trying to hold on to 'the ways things were' and hoping to get things back to the previous equilibrium without having to actively intervene.

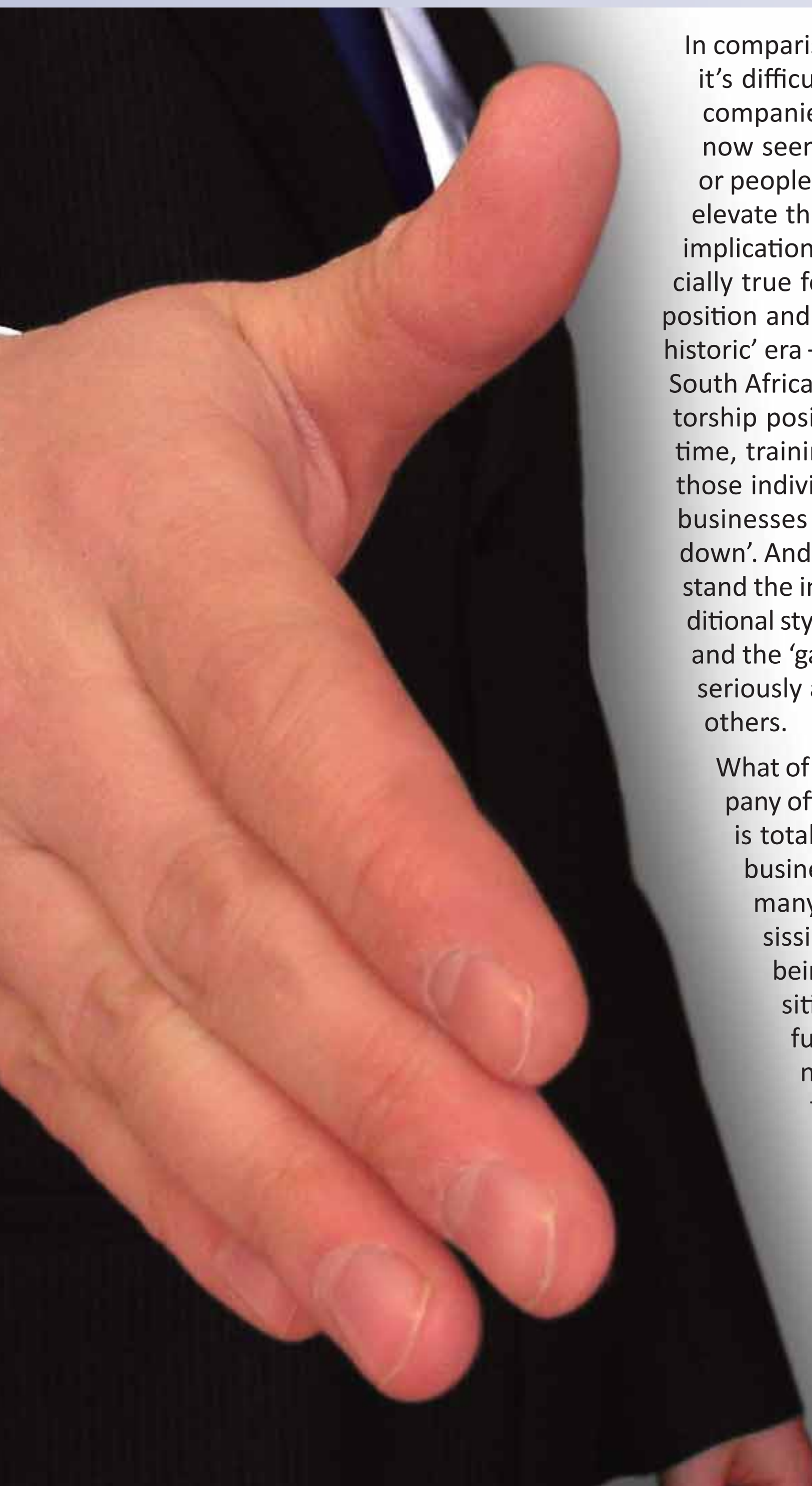
Effective Communication: In order to respond to change, information is vital. Managers need to have access to real time data on which to base their decisions.

Team Spirit: Responding successfully to major economic or political events will require staff from different functions and with different skills to work together as a team. Given a culture where people are encouraged to work together towards a common goal, this spirit of cooperation can be nurtured ahead of major events unfolding. Staff in key positions needs to know who to reach out to and be in a position to trust they will act with the best interests of the organisational as a whole in mind.

Empowered Decision-Making: The last key factor in developing a resilient culture comes from allowing decisions to be made by those best placed to respond. Sometimes drastic action is required and time is of the essence. Key managers need to know that power is devolved to allow them to act to influence events. This implies that authority levels and decision-making structures are in place well in advance of a major event and are well known and understood. These structures would ideally mirror normal business processes rather than impose an emergency structure that is misunderstood by the organisation as a whole.

Bringing it all together: The discipline of considering 'what might go wrong' and fundamentally analyse what is most important to an organisation's 'value chain' are key skills that businesses need. Responding to political, economic or financial shocks is in concept no different from reacting to a fire or IT system failure. The challenge is recognising this, and providing a confident response to how to deliver this in an accessible way that is perceived as valuable.

Those were the days... of Directorships



In comparison with the late 1980's – which seems just like yesterday – it's difficult to remember whether there were as many directors of companies then, as we know and experience it today. Somehow it now seems in vogue to simply appoint an individual as a 'director'; or people may indeed assign this status to themselves in order to self elevate their importance, without realising the potential devastating implications and personal liabilities attached to the title. This is especially true for individuals who don't have the credentials to fulfill the position and the fiduciary duties it entails. In what seems to be a 'pre-historic' era – and prior to the King Reports on Corporate Governance in South Africa – one has the sense that only a few were eligible for directorship positions and that to acquire these elite positions took much time, training, business skill and acumen. Of course, there were also those individuals who were fortunate enough to belong to family-run businesses and de facto became directors as the 'baton was passed down'. And whilst many of us were perhaps a little too young to understand the implications attached to the by-gone days of these more traditional styled directors, it is a well-known fact that times have changed and the 'game' with its rules of directorship have most certainly been seriously altered since the demise of Enron, Worldcom and so many others.

What of course is now crystal clear to directors and their fellow company officers (well for most anyway) is the fact that personal liability is totally unparralled to years gone by. Being a director is serious business; there is most often big money attached to this post and many have described it as a "contact sport and not meant for sissies." Yet somehow, increasingly there are more individuals being appointed to directorship and other executive related positions, many of whom may not have the necessary skills to fulfill their duties. Moreover – and particularly in an inter connected e-business economy – the levels of individual performance and experience expected by company stakeholders of directors has notably increased, not least to mention the massive surge of business laws, recommendations, business charters and legislation. One wonders just how directors cope with such complexities, increasing business competition, pressurised profits, integrated reporting and indeed, greater protection of civil and environmental rights.

Of course this leads to a few questions? Are directors of today really coping and are they better qualified than their predecessors? Perhaps these are questions to which answers may not be entirely understood, or even forth-coming? Yet we do know that many directors have become quite brazen, even to the draconian regime where new legislation appears to have overtaken the production cookie machine as they continue in their abusive, self indulgent ways. Contrary to this argument, many would believe that the recent formalisation and role of the Non-Executive Director (NED), as set out in the King Report on Governance for South Africa 2009 (King III) for example, would assist companies and their board of directors to behave in a fashion which is becoming of a more upright, moral society.

Indeed in most cases the role expected of the NED -- if excercised correctly -- will bring many benefits to the company, its full time executive directors and the company's wide array of stakeholders. Amongst the numerous benefits offered through the NED, their independence and 'outside' experience is probably their most valuable asset. These traits are meant to assist or guide executive directors in the organisation's strategy, or when the executive directors themselves become self consumed, particularly where this may lead to damage within the organisation and its stakeholders.

Of course there are those who argue that the independence of the NED could either be a good or bad thing, both for the individual and the organisation. There is a fine line attached to the understanding of a NED's independence of the management of the organisation and its interested parties. Regretably, independence to many NEDs – it would seem – means a total abdication of their duty to the organisation and even ignorance to the very nature and functioning of the business. This thinking is bizarre as it becomes impossible for the NED to be able to function as a check and balance to the Board, and the organisation as a whole. Naturally this stand-offish approach cannot be good for an organisation. Its adoption is much the same as the historical view organisations may have deployed when appointing NEDs, which in many cases was simply based upon the retiring executive director's name or reputation, and the supposed value such an appointment would bring the organisation, with scant regard to that which NEDs of today are expected to deliver.

Frankly speaking, this window dressing may not have changed much through the years, however organisational stakeholders, institutional investors and activists have, in more recent years, become a lot more informed of this reckless attitude which still prevails, in spite of the increased regulatory frameworks. That said, NEDs must be cautioned against their naievity or laissez faire actions, believing that their roles as part-time directors are without personal liability. To their peril; the courts in most countries, including South Africa, do not offer a distinction or limit the liability between the wrong-doings of an executive or Non-Executive Director. In other words, if an executive director who is employed full time in the organisation and causes damage, the courts will hold the Board of directors collectively responsible (especially when public interest is at stake). Clearly then, NEDs must play a more active role in the organisations they represent, furthermore taking the necessary time to fully apply themselves to their fiduciary duties owed to the organisation.

Finally, the performance of the NEDs should be assessed on an ongoing basis and processes must be in place to deal with underperformers who don't add value to the Board and organisation. Therefore, amongst other critical functions, the organisation has a legal, but also moral duty to evaluate the effectiveness, the performance and the value -- individually and collectively -- of each member of the Board.

About CGF Research Institute (Pty) Ltd
To find out more about CGF, its patrons and their respective services, access www.cgf.co.za or
www.corporate-governance.co.za

About Goldman Judin Inc.
To find out more about Goldman Judin Inc.
www.elawnet.co.za

Further Media Information:
Terry Booysen (CEO)
CGF Research Institute (Pty) Ltd
Office: (011) 476 82 64 / 1 / 0, Cell: 082-373 2249
Fax: 086 623 1269, Email: tbooysen@cgf.co.za
www.cgf.co.za

Business Continuity Awareness Week
21st to 25th March

"Business Continuity Management (BCM) identifies potential threats to an organization and the potential impacts to business operations of those threats. It provides a framework for building organizational resilience with the capability for an effective response that safeguards the interests of key stakeholders, reputation, brand and value-creating activities."

Business Continuity Awareness Week is the global educational event in the industry calendar facilitated by the Business Continuity Institute (BCI), the prestigious international membership body for business continuity management practitioners with over 5,000 members in 90 countries.

The focus for 2011 will be on three key reasons for doing BCM that are relevant for senior and executive management, these are:

- Protecting value and reputation in a crisis.
- Delivering operational resilience.
- Providing transparent corporate governance and risk oversight.

Watch out for our upcoming webinar's and Breakfast Seminar that we will be hosting.
We will keep you posted!

With ContinuitySA growing at such a fast pace with all our latest site developments and new service offerings it gives me such pleasure serving as editor for Client Chronicles as there is such a great deal to report on. Having said that, the ContinuitySA team remains committed to bringing our readers more and more valuable articles that will always keep you up to date with our latest products developments and services.

Should you have any Business Continuity thought pieces or articles that you would like to submit and feel will serve our readers interest for the upcoming ssues of Client Chronicles, we value your input and would like to hear from you.

Your thoughts and feedback are most welcome and can be sent to cindy.bodenstein@continuitysa.co.za

We hope you enjoy reading your copy of Client Chronicles.

Cindy Bodenstein, Editor