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Planning for the Worst



When evaluating your global service provider's business-continuity plan, you can mitigate as much risk as the work you put in before signing the contract

Karen D. Schwartz



Typhoons. Earthquakes. Political upheavals. Two-week power outages. Even terrorism. These are among the scenarios that may trigger your service provider's business-continuity plan.



The prospect of a disruption in business is more real today than ever before, and most corporations have developed comprehensive business-continuity and disaster-recovery plans to deal with many types of potential catastrophes. But when global service providers are thrown into the mix, the situation becomes even more complex. To ensure that disruptions in service are kept to an absolute minimum, companies with offshore operations must ensure that their service providers' business-continuity plans have enough breadth and depth to handle any potential emergency without bringing processes to a screeching halt.



Of course, not every global-sourcing manager anticipates this review before signing an agreement, but that's when a customer has the most leverage to improve the plans. The service provider's business-continuity plan is so important, in fact, that evaluating it should be a critical factor in whether a company chooses to hire the service provider in the first place.



"It can make or break the deal," says Steve Semerdjian, Attorney, Brown Raysman Millstein Felder & Steiner LLP, NY.

First Things First



"When evaluating a potential service provider's business-continuity plan, a good rule of thumb is to check whether the firm can provide at least the same level of business continuity as the customer itself," says Mike Keating, Associate Director, Business Continuity Management, Protiviti, a risk consultancy with offices in Atlanta and New York.



"In many cases, because of economies of scale, service providers can do continuity as it relates to their service better than the customer can. So it's not unreasonable for the customer to expect an improved level of continuity," he says. "That's part of the reason they are paying what they are paying. The outsourcer is basically saying, you should give us your money because we can do this better than you can."

The first step in determining whether a service provider's business-continuity plan is up to snuff, is by determining your own needs, and making sure they are spelled out in the Request For Proposal (RFP). These needs would include the amount of downtime you can tolerate, how mission-critical is the work the service provider will provide and what regulations your company must comply with.

This type of customer influence in a service provider's business-continuity plan is crucial to the success of the endeavor, experts say. Without it, executives can't be sure that the plan will be customized to their particular business, which could result in a critical failure somewhere down the line.

"Business-continuity and disaster-recovery plans are only as good as the weakest link," says Neil Hirshman, Partner, Kirkland & Ellis LLP, Chicago, Ill. "That's why it's important to spell everything out up-front. The ultimate hammer the customer has is the ability not to sign the contract until all of the pieces are in place."

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