



Why do you need a strategy for Operational Resilience?

Updated [June 2021]

Operational Resilience is a new discipline for many financial services firms

There is no 'one-size-fits-all' solution.

To get it right for your firm, you will need to make some key decisions and trade-offs. Your Operational Resilience vision and strategy will help you make those decisions.

New regulations – Timeline

The Operational Resilience policies were published by the FCA and PRA on 29th March 2021 for financial services firms. Regulators are asking firms to have built a resilience capability, conducted testing on important business services and agreed investment around an implementation plan to fix vulnerabilities by 31st March 2022. What that capability and investment looks like for your firm will depend on the vision and the strategy you set.

What trade-offs will I need to make?

Your firm has limited resources and competing priorities. You will need to appropriately prioritise Operational Resilience against other initiatives. There are two key questions to ask:

1. What is your aspiration for Operational Resilience?
2. How resilient is your firm today? You will need a resilience assessment to determine this

What should Operational Resilience mean for your firm?

There are a number of key considerations for determining your firm's approach to Operational Resilience, including the following:

- Are you merely aiming for regulatory compliance, or can you articulate the additional strategic value of Operational Resilience for your firm?
- Does your firm's overall brand require you to have bronze, silver or gold-plated resilience?
- Does every process need to be resilient, or just a few key processes?
- Does resilience need to be fully embraced by every employee, or will resilience be delivered by dedicated professional resources?
- Do you want to automate the management of your firm's ongoing resilience, or is it best managed by people?
- Should the principles of Operational Resilience be applied across your firm to build an Integrated Service Management approach?

Your Operational Resilience vision

Like all good visions, you should be able to define a **target outcome** and a **target date** to achieve your Operational Resilience aspiration. These should be linked to your overall corporate or business unit vision.

The best way to define an outcome for Operational Resilience is in terms of measurable quantities. The parameters you choose will be defined by how you define Operational Resilience for your firm – they may be regulatory, customer or based on relative competitive performance.

Whatever your outcomes and timeline, it is important that they are **not dependent on future disruption events** otherwise it will be difficult to assess whether you have fulfilled the vision.



Operational Resilience should be embedded into the way you run your firm



Having a clear vision and strategy will help in alignment, prioritisation and maximisation of business benefits



Your Operational Resilience strategy must be aligned to your overall business strategy

Your Operational Resilience strategy

A good Operational Resilience strategy will set out the route map to achieving your vision. It will be consistent with the overall business strategy, and it will take into account organisational constraints such as resources and competing programmes.

A good vision and strategy will also fulfil another important role – that of aligning **internal and external stakeholders**, and of communicating the approach

and direction to the rest of your employees.

Best way to define a vision and strategy

1. Allocate time and senior bandwidth to go through the exercise properly
2. Clarify your Operational Resilience drivers and use those to determine Operational Resilience strategic principles
3. Define target business outcomes and summarise into a vision
4. Conduct a current state assessment to determine key gaps
5. Consider options to bridge gaps and optimise given resource constraints and other priorities
6. Crystallise into a high-level roadmap which is your strategy

What happens if you don't have a clear resilience vision and strategy?

The following situations may occur for your firm:

- The regulators can fine your firm for Operational Resilience Failures – in recent years the FCA has issued over £75M in fines, which does not include costs for consumer redress, rectification and associated remediation resources

- Regulators may think that your firm does not take resilience seriously
- Your firm will not respond well to future disruption events
- Different prioritisation across the executive team and internal functions means your firm's resilience may be compromised
- Your suppliers and ecosystem partners will not work to your benefit in the event of a disruption

Operational Resilience is a new concept for many Financial Services firms. Clarifying how it is different from risk management, from cyber strategies and from business continuity management will help your organisation to embrace this new discipline.

What to watch out for

There are a number of challenges or hurdles in defining a vision and strategy.

1. Becomes a tick-box exercise – exists as a PowerPoint in a drawer but never taken to heart by the firm
2. Too vague to mean anything. Operational Resilience is hard to pin down to robust measures. Take the time to make it easily understandable by all

How can we help

We can facilitate the process from start to finish, or we can give your firm an objective assessment of its own vision and strategy.

We bring market best practices and extensive experience, together with pre-populated frameworks and tools to accelerate your progress.

KPMG top tips

1. Start with your corporate and business unit strategies
2. Look hard at opportunities to go beyond the regulatory minimum. COVID-19 has put resilience higher up the agenda, and this may be an excellent time to focus investment on strengthening operating and business models
3. Show how each initiative drives P&L benefits – this will make your strategy more robust, and will make trade-offs with other programmes easier to navigate
4. Don't define your strategy in isolation. How your firm operates with partners in the market ecosystem will greatly influence your firm's resilience
5. Incorporate external challenge and market best practices into your thinking

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