



# **FAMILY OFFICE METRICS, LLC**

*Strategic advisors to family offices and family fiduciaries on people, process, and technology*

## ***BUSINESS CONTINUITY FOR THE FAMILY OFFICE***

By Jon Carroll

Like any focused, private enterprise, a family office needs constant access to its digital and physical files. What steps should a family office take to protect its information, and make it available, in the event of a breakdown of normal business activities?

A family office should have a business continuity plan that prepares it to counteract interruptions to critical business activities as a result of major failures or disasters.

### Objectives of the Business Continuity Plan

The business continuity plan should prevent or mitigate loss due to disruption and should enable the family office to resume business operations quickly after a disruption.

Concurrently, the business continuity plan should provide principal family members or their designees (the “principals”) the ability to gain operating control over their business activities should the family office be unable to resume business operations. Critical data should be both transparent and readily available.

### Critical Information Data Set

At the core of the business continuity plan is a critical data set that provides the family office and the principals with current information about critical business activities. This data must be updated regularly in the normal course of operations and should be distributed electronically and via alternate means that do not depend upon the Internet.

At a minimum, the critical data set will include the following:

- Contact information for all critical participants, including family office staff, the principals, advisors, providers, and others deemed to be critical participants;
- Financial positions, holdings, and current business activities, including account identifiers and special instructions;



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- The physical location of all original documents and any duplicate documents prepared as a part of the business continuity plan;
- The most recent update of the business continuity plan.

## **Security Environment**

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Updating and distributing the critical data set, in the normal course, is a function of the overall security environment at the family office. In addition to the business continuity plan, the security environment includes documentation, training, testing, and management of the following:

- System access controls to prevent unauthorized access to information and to ensure the protection of networked services.
- System maintenance to ensure security is built into operational systems and to maintain the security of applications software and data.
- Physical security to prevent unauthorized access to family office premises, to prevent theft of information, and to protect confidential information.
- Compliance with regulatory and contractual obligations.
- Personnel security and organizational security, including maintenance of the security of information when the responsibility for information processing has been outsourced to another organization.
- Computer and network security to minimize the risk of systems failures and protect the integrity of software and the availability of data.

## **Successful Practices**

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1. The business continuity plan should contain the following:



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- Critical information data set, including critical contacts, including vendors and providers, financial information, and vital records and data locations.
  - Defined roles and responsibilities of all participants in the plan, and in business resumption.
  - Escalation procedures, including contingency triggers, instructions, and coordination with building, local, and regional authorities.
  - Relocation information, including required resources, estimated costs, agreements, and assumptions about suppliers and communication. For the longer term this would include setting up shop in an alternative location away from the family office premises.
  - Business resumption strategy, including criteria for resumption, and priorities for resumption. When, what and how to resume business activities.
2. The business continuity plan should contain specific scenarios and the expected response by the family office and the principals.
- Scenario 1: A short term disruption. If the family office is prevented from accessing its premises, the business continuity plan should enable the family office to function for a short time – five or perhaps ten business days – with the critical data set and telephone communications. The plan would enable the principals to run the business from various homes in the local area using a “downtime” procedure described in the business continuity plan.
  - Scenario 2: The family office premises are seriously disabled but local area infrastructure is functioning. If the crisis is local to family office premises, then the business continuity plan should provide for alternative business premises in the local area. This site would require duplicate records, back-up



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- Scenario 3: The family office premises and the local area infrastructure are seriously disabled. If the crisis will last longer than ten business days, the business continuity plan should provide for an alternative work site, preferably at least one to two hours drive away from the local area. This site would require duplicate records, back-up equipment, financial systems and software, and telecommunications. Selected family office staff and the principals could run the business from this alternative site.
2. The business continuity plan should be regularly updated and tested. Family members, family office staff, and trusted advisors to the family should participate in the planning, update, and periodic testing of the business continuity plan.

## **Conclusions**

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Implementing a business continuity plan does not have to be difficult or expensive. Having a plan in place when it's needed will make resuming business operations easier and cost effective.