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CASE STUDY



Avaya Business Continuity Practice—Helping Workers Compensation Fund Take Emergency Preparedness to New Levels

Challenge:

Faced with the increasing demands of its day-to-day business, Utah's Workers Compensation Fund needed to ensure that a robust business continuity strategy was in place to support their clients. In an industry where technology and continuity are fundamental elements for success, WCF knew it needed expert help.

Solution:

The Avaya Global Services Business Continuity consultants worked directly with the IT departmental experts at WCF and conducted a systematic review and business continuity assessment of the agency's business technology and processes. This comprehensive Avaya Business Continuity Risk Assessment uncovered issues and provided recommendations as a foundation for development of a WCF disaster recovery plan.

Value Created:

- Provided the ability to respond to a variety of potential disasters faster based on available WCF resources and the relative likelihood of occurrence.
- Cost savings realized by efficient and effective use of time and budget, resulting in a business continuity plan that could not have been accomplished within the same timeframe using internal resources alone.
- Improved business continuity processes were established to form the foundation of all future business continuity efforts.
- Greater business control was created that did not exist before, allowing WCF to own its 'next steps' at a departmental level.

SALT LAKE CITY, Utah USA— Companies doing business in Utah are highly familiar with the Workers Compensation Fund (WCF), the State's largest provider of workman's compensation coverage.

Created in 1917 by the Utah legislature to provide wage loss benefits for work-related illness or disability, WCF has evolved over the years to a private ownership structure with a Board of Directors comprised of policy holders. In an industry marked by high levels of competition and regulatory oversight, providers face a straightforward – but challenging – financial mandate. With an unyielding requirement that incoming policy premiums fund the outgoing cost of claims, a carrier's sustained success depends on superior business practices—an area where Workers Compensation Fund excels.

Fundamental to WCF's approach is their common-sense philosophy that preventing an accident is far better than managing a claim. Backing this philosophy are two highly proactive and complementary business programs. Armed with a small army of in-the-field professionals ranging from safety engineers to vocational rehabilitation specialists, Workers Compensation Fund has established a reputation for aggressive safety initiatives designed to eliminate on-the-job accidents. In those cases when a claim is required, WCF provides comprehensive support for injured or disabled wage earners geared to help them return to work with minimum downtime. The results have been impressive. For covered employees, accident rates and return-to-work intervals are far lower than the

rest of the nation. For WCF's policyholders, increased levels of worker productivity are complemented with consistently issued dividends and more than a decade of stable policy premiums.

Technology-based Market Leadership

For John Wallin, Assistant Vice President of Finance at Workers Compensation Fund, there is no mystery behind WCF's market-leading position. *"A prime contributor to WCF's success in the marketplace is our use of cutting-edge applications and technology. Many people think of the insurance industry as actuaries performing statistical computations on a pad of blue-lined paper. At Workers Compensation Fund, nothing could be further from reality. In fact, we have a very sophisticated imaging system and operate in a completely paperless environment. From underwriting to claims management, every core business process relies on imaged documents stored on our central mainframe or one of our 30 mid-range servers.*

WCF's proprietary business applications are among the company's most prized competitive assets. We have developed an artificial intelligence system—a self-learning neural network—that monitors and tracks 35 different variables on each covered worker. One of the wonders of the

system is its ability to learn from new data and dynamically modify its recognition of patterns and linkages between the different variables. This application gives WCF great analytical and predictive power. We can readily see when an individual claim is not progressing in a way that's expected compared to other claims with a similar medical profile. These types of insights allow us to be extremely proactive in our management of claims. As a result, we can readily focus whatever resources are needed to help an individual worker return to improved health.

In addition to its key role in the claims management process, we also use the system to fine tune policy rates in the underwriting department. There's no question about it—technology is fundamental to the success of our business.”

Always Available Technology – an Absolute Business Requirement

With technology playing such a central role in WCF's business, there is little room for downtime. “If you look at any of our departments—auditing, safety, medical management, underwriting, claims—each of these critical business areas has a showcase business application and technology that is essential to its functioning. Very few of our 56 core business processes can be performed manually. For us, the business impact of downtime is extreme. In our industry, there are State regulatory requirements that specify critical time intervals for processing and paying claims. There is a direct relationship between our technology being available and our ability to meet these regulatory mandates. As the market leader, there's no way we want to be out of compliance.

Worker compensation insurance is also a highly competitive product. If we are unable to handle a company's needs because our business isn't operating, there are readily available alternatives. The constant inflow of premiums is

the revenue engine that drives this business. Without premiums, we aren't able to pay claims. Many claimants, especially the disabled, can't live without this income. If our business is unable to function because of a disaster or emergency situation, claimants could find themselves in life-threatening situations. The payment of claims is a business responsibility that we take very seriously.”

Renewed Focus on Disaster Recovery

Although Workers Compensation Fund understood the importance of business continuity planning, it took a shock to move their efforts into high gear. “As was the case for many businesses, the 9-11 tragedy was a very sobering reminder for us that rigorous disaster recovery planning is a business necessity. We took a serious look at our state of readiness and found a number of areas that needed to be addressed.

Historically, WCF has always been sensitive to the need for emergency planning, but we didn't really approach it in a truly holistic way. The focus always has been on restoring our computing technologies—especially the mainframe and application servers. Our self-assessment showed us that we had solid restoration plans for most of our information systems, but those plans were not tightly linked to the business processes that actually used the technology. We knew we could restore the servers, but which one should be brought up first? Which was tied to a less critical business need and could be restored last? We didn't have clear answers to these questions.

There were also gaps around our remote-access planning. A number of the disaster scenarios require shifting our operations and key personnel to locations outside of Salt Lake City. While we were confident that we could restore the mainframe data and applications to our hot backup site, we hadn't fully nailed down the connectiv-

ity logistics to ensure our remote teams would have the network access they needed.

To address these deficiencies, I was asked to spearhead a renewed, company-wide business continuity effort. Our initial approach had me preparing the actual recovery plans for each of the departments. The thinking was that developing these plans would be straightforward—much the same as any business problem-solving we do day-to-day. Collect data, analyze it, then make a decision. We even bought some recovery planning software that would help ensure a consistent approach and output across departments.

It didn't take long before we discovered that there was a considerable amount of function-specific knowledge that only the departmental experts possessed. Because we wanted the departments to keep a tight focus on their daily business operations, they were not directly responsible for developing their plans. Unfortunately, the demands of running the day-to-day business kept pre-empting their efforts to provide the needed information. As a result, our new planning initiative bogged down to a near standstill.”

A Comprehensive Business Continuity Assessment

With the current effort not delivering the results they wanted, Workers Compensation Fund was open to an improved approach. “It was about this time that we became aware of the Avaya Business Continuity Practice. WCF never intended to bring in external resources for our disaster planning effort, but it was clear that we needed some expert help. Since our IT people were the farthest along in terms of their disaster recovery planning, I wanted to make sure they were comfortable with bringing in an outside partner. They were actually very enthusiastic about getting third-

party validation of their work, and as a result, we asked the Avaya Global Services Professional Services Team to come in and conduct a Business Continuity Risk Assessment.

For the next three weeks, Avaya Global Services worked directly with the departmental experts and conducted a systematic review and assessment of WCF's business technology and processes, taking a detailed look on how any impairment to those processes would impact the business. Avaya's approach was very systematic and went process by process across the entire Workers Compensation Fund operation. All of their findings were documented—the deliverables of each process to the core business, the amount of time a process takes, its frequency, and all of the key technological and people dependencies.

Avaya then ranked all of the critical business processes according to priority of restoration. This ranking was not by department, but by criticality to the overall WCF business. Each process received a Recovery Time Objective (RTO), the amount of time that the process could be down before the business suffered a significant impact.

Our databases received a similar Recovery Point Objective rating, which evaluated the acceptable amount of data that could be lost before restoration. The linkages between the business processes and supporting technology were also scrutinized. How specialized or 'off-the-shelf' were our critical technologies? Where would we go to procure replacements? How long would it take to get equipment and personnel to our designated backup sites? What are the implications if air or road travel is impeded? These were issues we had not fully explored before.

Avaya's assessment was quite comprehensive and even extended to a review of our physical infrastructure. Recommendations ranged from ways

to improve our fire suppression system to enhancing the physical security of key assets. The competency of the Avaya Business Continuity team was apparent from our first meeting. We were very impressed with the breadth of Avaya's expertise—they were just as comfortable dealing with our business processes as they were with our IBM and Novell data networks.

Before we worked with the Avaya team, we had heard that they were 'on top of their game'. Having gone through this assessment, it's clear that reputation is well-deserved."

The Impact

When the engagement was complete, Avaya met with WCF's executive team to review the findings and recommendations. "The leadership team found many of Avaya's observations to be quite eye-opening, especially those that demonstrated that many of our existing recovery time perceptions were unrealistic.

One of the effects of this effort has been to really 'wake the organization up' on potential business vulnerabilities. Another key impact has been to clarify who in the organization is in the best position to address these opportunities. Avaya Global Services also helped us get a better handle on the relative likelihood of different types of disasters—how should our plans change depending on the type of emergency situation? We now have good insights on what types of natural disasters are more likely to impact us than others. This has helped us prioritize our thinking and spending.

In terms of impact to the overall business, Avaya has certainly encouraged the team at large to look at the recovery of the business in ways they might not have considered before. Everyone close to this initiative sees Avaya as having delivered a much more effective and efficient effort than we could have

done ourselves. Most fundamentally, though, Avaya has given us a business continuity process and baseline that forms the foundation of all our future efforts. The Avaya assessment has definitely given us control over the business that we didn't have before."

Next Steps

With the assessment findings as a firm foundation, John has a clear view of where Workers Compensation Fund needs to take their business continuity planning. "A rigorous assessment effort is really the first—and necessary—step to launch a viable disaster recovery plan. Basically, Avaya has done their part, and now we need to do ours.

Based on Avaya's recommendations, we've established a cross-departmental committee that is taking action on each of Avaya's issues and recommendations. All of the departmental experts have been trained on the planning software, and we have set up a master timeline for completion of each detailed departmental plan. We're on track to have a solid, initial, enterprise-wide plan in place by next month.

One of the largest organizational impacts that has come from Avaya's engagement is the shift of responsibility for the individual recovery plans back to the departments. My role has appropriately shifted to one of facilitation and enterprise-wide coordination. We're definitely on the right track this time.

With the Avaya assessment to guide us, we're well on the way to a sound business continuity program. As our risk reduction plans progress, it's likely that we will want periodic third party reviews. Avaya Global Services has been an excellent complement to our own resources and we look forward to partnering with them well into the future."

Lessons Learned—B-to-B advice for enterprises

Clear Departmental Ownership

"It is imperative that ownership for your individual disaster recovery plans reside at the departmental level. You'll need an overall coordinator to ensure a holistic approach across the entire business, but accountability for the plans needs to rest with the functional organizations that will need to restore the key business operations."

Enterprise Wide Scope

"To be successful, business continuity planning must take place across your entire business. If you don't undertake disaster planning as a total firm, it is easy to overlook critical interdependencies between departments, processes and technologies."

A Continuous Undertaking

"Disaster recovery planning is not a one-time event. Your plan starts with a reality-based assessment, then you constantly refine the plans as your processes and technologies change. Once established, the plan needs to be tested regularly. The process of assuring business continuity is really a continuous improvement program."

An Institutionalized Business Practice

"The truth is that unless people are given special motivation, business continuity planning will invariably take a back seat to the day-to-day demands of running a business. The good news is that there is a fix for this syndrome. Business continuity needs to become one of your core business functions. One way this is demonstrated is by showing organizational and fiscal commitment."

There is no substitute for executive involvement—they must be vocal and emphatic in their support. Designating dollars to a program is another way to demonstrate commitment. Your business continuity program should have its own budget line and needs to stay on the short list of 'must-do' initiatives."

Engage the Right Resources

"Unless you can afford to hire someone that has disaster recovery expertise, you will need to bring in outside help. The fact is, this is a highly specialized skill that you are not likely to find in your existing team. You can either spin your wheels for months or years with an internal approach or find the help you need to get the process under way. And even if you have the right resources internally, your disaster recovery efforts

are important enough to bring in an outside expert for some objective, third-party benchmarking."

Learn More

For more information on how Avaya can take your enterprise from where it is to where it needs to be, contact your Avaya Client Executive or Authorized Avaya BusinessPartner, or visit us at www.avaya.com

ABOUT WORKERS COMPENSATION FUND

Salt Lake City-based Workers Compensation Fund (WCF) is Utah's premier workers' compensation insurance provider, promoting workplace safety to more than 30,000 Utah businesses. Established in 1917, WCF is a mutual insurance company owned by its policyholders and governed by a Board of Directors. WCF offers its customers a variety of services including safety services, claims administration, medical case management, vocational rehabilitation, return-to-work and special investigation services. For more information about Workers Compensation Fund, visit www.wcf-utah.com.

Services

- Avaya Global Services:
- Business Continuity Risk Assessment

All statements in this Case Study were made by John Wallin, Assistant Vice President, Workers Compensation Fund.