

Business Continuity Management Programs Continue to Transform and Mature, But We're Not There Yet...

Findings from
the 2006
Continuity
Insights/KPMG
Business
Continuity
Benchmarking
Study

Business continuity management programs developed and managed by U.S. companies that participated in the 2006 *Continuity Insights* and KPMG LLP Business Continuity Management Benchmarking Study continue to transform and mature, according to recent survey results. But results also show that business continuity still has not become a strategic part of corporate plans.

Approximately 96 percent of the 935 respondents have business continuity management (BCM) programs in place. The respondents that have programs in place reported the following BCM program status:

- 8.35 percent indicated that they are currently in the process of establishing a program, defining program governance, scope, objectives and format for plans.
- 5.46 percent indicated that they are currently in the assessment phase (i.e., risk assessment, business impact analysis, strategy selection).
- 19.74 percent indicated that they are currently developing business continuity plans, crisis management plans and disaster recovery plans.
- 57.95 percent indicated that they currently have plans in place that have been recently exercised and tested.

According to KPMG's Director, Advisory Services, Marty Plevel, "Based on my review of these results, it appears that the business continuity management programs and crisis management programs for a majority of the survey respondents are continuing to evolve and transform to address critical people, process, and technology interdependencies that span their enterprise."

In fact, survey respondents indicated that their organizations are integrating their BCM programs with their crisis management programs. More than 50 percent of survey respondents indicated that the programs are extremely or very much integrated. Approximately 32 percent of survey respondents indicated that the programs are somewhat integrated. And some 12 percent of survey respondents indicated that the programs are not integrated.

But DRI International President and CEO John Copenhaver questions those results. "I would be really, really shocked if the respondents had a well-integrated crisis management program," he says. "I don't think they really understand what crisis management is and what it is not. I think they know it's a hot topic right now and they're probably trying to do something about it and it's on their minds. But my bet is that they are being rabidly optimistic."

People Priority

Industry experts do agree that the crisis management tie-in is related to an increased focus on people issues. Recent disasters, especially the hurricanes of 2005, highlighted the criticality of the human factor in business continuity

What do you think is currently the weakest link in your continuity strategy, planning and recovery efforts?

People risks (i.e., – not available when and where needed, family conflict, and lack of preparation or training).	34.51%
Technology risk (i.e., – IT fails to work as advertised, hidden dependencies not identified, technology threats remain ahead of technology solutions, technology complexity, and data not recoverable).	18.62%
Process risk (i.e., – Documented process not up-to-date, recovery process never FULLY tested, and process creates a single point of failure).	26.65%
Data risk (data is not available, corrupt, or incompatible with recovery environment)	5.14%
Supply Chain partner risk (interdependencies with other key stakeholders in key business processes not fully aligned to meet recovery time objectives).	8.35%
Collaboration with public authorities (interdependencies associated with enterprise specific or regional incident).	6.74%

Table 1

planning and disaster recovery, as many organizations' plans did not meet their employees' needs. But while companies strive to ensure their plans provide for their people, training programs seem to be falling short.

Almost two out of three survey respondents indicated that they did not think that their employees received sufficient business continuity, crisis management and disaster recovery training. Says Plevel, "While investments continue to be made in this important area, there still is a significant gap in training programs that needs to be addressed."

"A majority of respondents said that their weakest link in their business continuity planning and recovery efforts were the people risks (see Table 1, page 14)," says Patrick Doherty of SunGard Availability Services. "And yet, over 64 percent are still not training their employees on business continuity, crisis management, and recovery. This survey reinforces the need for continual education of employees across the enterprise to stress the importance of the availability of information that keeps their businesses in business."

"It appears that more organizations are strengthening the people element of their plans, but it still seems to be the weakest link in the plans," agrees Patrick Corcoran of IBM. "This is in line with my observations over the past few years. It is critical that the people aspects get more focus."

How does Corcoran suggest that be done? "I would recommend that organizations link BCM to the organization's strategic vision, demonstrate it by developing training programs to educate their employees on importance and their role in the overall BCM, and exercise/test the people element more often. I believe a lot of improvement has been made, but we need to continue the focus."

Copenhaver says he is "encouraged to see that people are beginning to understand that people risks are a serious potential gap in their planning. I think Katrina is part of why that is so high."

What Motivates You?

It seems logical that Hurricane Katrina would inspire industry professionals to reconsider their programs, but surprisingly few identified natural disasters like Katrina – or avian flu, the emerging threat of 2006 – as motivators.

Only 5.78 percent of respondents said their programs had been "extremely" enhanced due to avian flu or natural disasters and another 17.5 percent said plans were "very much" enhanced. Programs were "somewhat" enhanced due to these factors by 40.29 percent of respondents, and not at all enhanced by 36.44 percent. Results were similar for a question that asked whether terrorism has driven program changes, with just 22 percent saying extremely or very much.

"I really would have hoped that number would have been much higher, and I would have expected that more people would have considered terrorism," says John Jackson of Albright Advisors. "They're not worried about terrorism, avian flu, or natural disasters. What are they worried about?"

Certainly not NFPA 1600 or the Sarbanes-Oxley Act.

Nearly 40 percent of respondents said Sarbanes-Oxley had no impact on BCM processes and documentation efforts. Another approximately 40 percent said the act had somewhat affected BCM processes, but only about 20 percent indicated that Sarbanes-Oxley had significantly affected these efforts. NFPA 1600 fared even worse.

"A small percentage of them are refining their programs to address the NFPA 1600 standard. Clearly those organizations that are currently enhancing their program to address NFPA 1600 have indicated their organization's commitment to following a standards-based approach," according to Plevel.

But when asked how familiar the organization is with the NFPA 1600 standard and plans with regard to the standard, only 15 percent of respondents indicated that they are familiar with the standard and are currently enhancing their programs to address its requirements. Some 16 percent of respondents indicated that they are familiar with NFPA 1600 and have proposed plans to address its requirements. Approximately 25 percent of respondents indicated that they are familiar with the standard but currently have no plans in place to address its requirements. And a whopping 40 percent of the survey respondents indicated that they are not familiar with NFPA 1600.

Does your organization currently make strategic marketing use of its business continuity management program?

Yes	27.13%
No	72.87%

Table 2

How well integrated is the BCM Program with the Corporate/General Management Strategic Planning Program?

Extremely	8.67%
Very Much	20.71%
Somewhat	48.96%
Not at all	21.67%

Table 3

So what is it? The NFPA issued the latest edition of NFPA 1600 two years ago. The NFPA Technical Committee on Emergency Management and Business Continuity is responsible for the standard, which has been endorsed by the American National Standards Institute (ANSI), the Department of Homeland Security, the National Emergency Management Association, and the International Association of Emergency Managers. Plevel says, “The NFPA 1600 standard will help companies achieve their goals, and we recommend that organizations become familiar with the standard, which is available from the NFPA website.”

“Even though it appears from the survey that that regulations like NFPA 1600 and Sarbanes-Oxley are not major drivers for organizations to create or enhance plans today, I believe they will become more of a driver moving forward,” Corcoran says.

Recovery Times and Testing

While regulations and standards may not be on respondents’ minds, recovery time objectives (RTOs) are.

“What’s interesting is that over 72 percent of respondents say that the primary reason for their business continuity management program is the ‘continuity of business operation and a timely recovery;’ however, the majority of respondents said that their RTOs were ‘mostly’ met during a recent interruption. This is, again, another example of how business continuity continues to be a *pass/fail* situation,” says Doherty.

“Thirty percent missed their RTOs!,” says Jackson. “That just two out of three hit their RTOs says people need to be focusing more on the plans and the processes, because what they are doing obviously is not hitting the mark.”

What to do? Strohl Systems Brian Turley says more tests are in order. “Exercising plans helps provide realistic recovery time objectives, identifies deficiencies in planning resources and provides everyone with a clear understanding of their roles and responsibilities. By exercising your plans on a more frequent basis and by ensuring involvement of the major stakeholders in the simulation, you will have better insight into whether your RTOs are realistic and you will have a higher probability of achieving them during a business interruption.”

However, the survey shows that a quarter of the organizations have not exercised their plans in the past year,” Turley says. “Having an unexercised plan can be worse than having no plan at all. It may provide the organization with a false sense of security, and when a disruption occurs, nobody will know what to do, the plans may not work and recovery efforts will suffer.”

Jackson warns that “if you don’t test, neither you nor the

vendor will know if you can recover. You’re a liability of you don’t test.”

Strategy and Spending

But testing isn’t enough, Jackson says. “Planning and exercising are good and necessary, but they measure the function not the value of your program. People should be doing more in terms of benchmarking and ROI monitoring, where the focus is on value.” Doing that, says Jackson, enables planners to prove their program’s value in order to gain funding and align business continuity with strategic corporate goals.

When asked how well their BCM programs were integrated with the Corporate/General Management Strategic Planning Program, only some 30 percent said extremely or very much, (see **Tables 2 and 3, page 16**).

“Business continuity hasn’t made the leap to being strategic to the business,” says Chris Worton of BC Management. “I think that’s because in the past it was looked at from an audit perspective. It was a ‘have to do’, rather than a value-add. The innovators are the ones that are taking business continuity and making it strategic. They’re trying to look at our business processes and improve them for business continuity and also to improve the business.”

Worton also calls attention to the high percentage – nearly 50 percent – of respondents who said funding for business continuity is allocated on a case-by-case basis. “That goes to the fact that business continuity is not strategic,” he says. “We are successful at winning case-by-case, but we are not able to demonstrate ROI, which would enable us to create actual budgets.”

It does seem, however, that respondents are spending as much if not more than ever. When asked for feedback on the level of investment in business continuity, crisis management and disaster recovery training this past year, in comparison to the year before, survey respondents indicated that:

- Approximately 50 percent of respondents spent more money in 2005 than in 2004.
- Approximately 40 percent of respondents spent approximately the same amount of money.
- Approximately 10 percent of respondents spent less money in 2005 than in 2004.

The Third Party

In addition to spending more, respondents are also integrating BCM programs more – integrating with processes that involve third-party vendors and integrating with other programs, including information security, facilities, and risk management. Survey results, show high impact business processes that involve third-party companies or service providers have been or are targeted

for integration within the next 12 months. For example:

- Almost 30% of respondents indicated that supply chain processes have been integrated or are targeted for integration (up from approximately 12% a year ago).
- Almost 30% of respondents also indicated that accounting/payroll processes have also been integrated or are targeted for integration (also up from approximately 12% a year ago).

Respondents are also looking beyond the business world in their quest for integration. More than 20 percent of respondents say their BCM programs are very much or extremely integrated with public sector authorities, including police, fire, EMS, and state emergency management. Those that aren't "ought to be thinking about it," says Jackson.

"Involving outside agencies with the development and testing of business continuity plans is an excellent idea and will only prove beneficial to an organization in the long run," agrees Turley. "It will mean better coordination, increased understanding and quicker response time should you need additional services in the event of a disruption. The fact that over 55 percent of the survey respondents indicated they are

including either supply chain partners, public sector agencies or service providers in their exercises and tests is an encouraging sign. The relationship they built with local first responders, federal agencies and service providers will prove valuable during any disaster that requires assistance."

Much More

"Market research information, like this study by KPMG and *Continuity Insights*, is very important to the business continuity industry and is valuable information for organizations to use when managing business continuity programs," says Corcoran.

It's even more valuable when it triggers continued discussion and debate. The 2006 *Continuity Insights* and KPMG LLP Business Continuity Management Benchmarking Study posed nearly 50 questions to respondents. And while our industry experts provided interesting and thoughtful comments, we'd like to know what you think too. For complete study results, contact Publisher Bob Nakao at bob@continuityinsights.com, and send your comments and insights to Editor Buffy Rojas at buffy@continuityinsights.com. **CI**

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