



***Continuity Insights/KPMG Business* Continuity Management Benchmarking Study Results and Leading Practices**

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KPMG, LLP
May 9, 2006



Agenda

Today's discussion:

- **Highlights from the 2006 *Continuity Insights*/KPMG Business Continuity Management (BCM) Benchmarking Study**
- **Some leading practice quotes from various BCM practitioners that reviewed the study results and contributed to an article that was recently published in *Continuity Insights* (March/April 2006)**
- **Review process for requesting and providing custom reports to use in benchmarking your organization's BCM program**



Context

“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.”

Pat Corcoran, IBM



Findings from the 2006

Continuity Insights/KPMG

BCM Benchmarking Study



Company's Primary Type of Business, Participants, and Percentages

Automotive	5	0.48%	Manufacturing: Consumer Goods	30	3.05%
Banking/Financial	230	24.40%	Manufacturing: Industrial Goods	21	2.09%
Communications/Media	8	0.80%	Professional Services/Consulting	78	8.19%
Education	36	4.01%	Technology: Services	39	4.01%
Energy/Utility	29	3.37%	Technology: Software/Hardware	26	2.57%
Government (local, state, federal, international, military)	81	8.35%	Technology: ASP/ISP	6	1.61%
Healthcare	71	7.38%	Telecommunications	38	3.85%
Insurance	92	9.79%	Transportation	12	1.28%
Legal/Real Estate	14	1.44%	Retail/Wholesale	30	3.05%
			Other	98	10.27%
			Total	935	100.00%

Nine hundred thirty-five people participated in the benchmarking study. Study participants came from a wide range of industries. The highest percentage of participants were from the banking/financial sector, the government sector, the professional services/consulting sector, the healthcare sector, the insurance sector, and the the various technology sectors.

Custom reports can be provided for benchmarking by type of business, annual revenue, and number of employees .



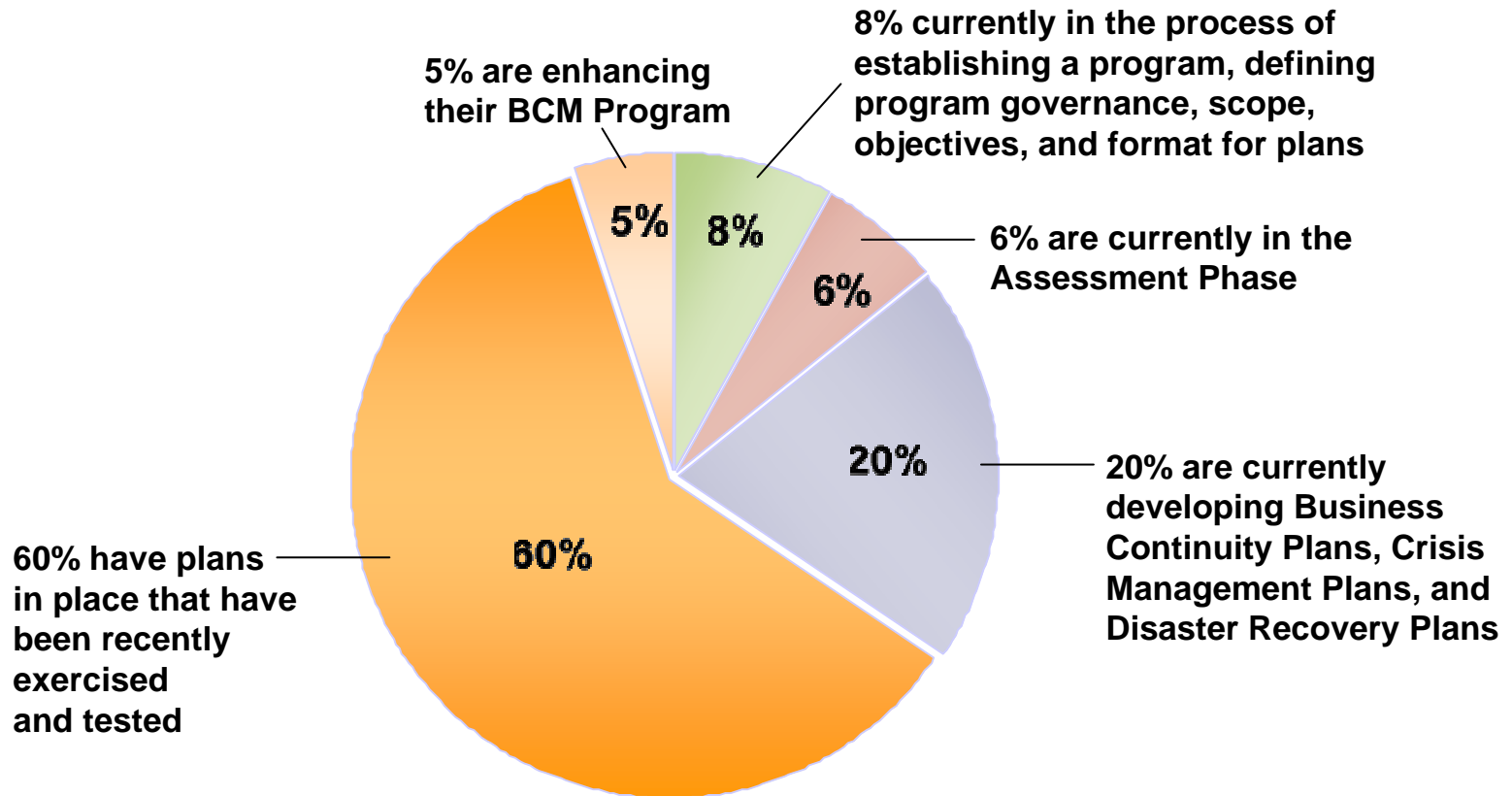
Study Participants (935) Had a Wide Range of Primary Job Functions

The highest percentage of participants were from:

- Business continuity management (*more than 33% of the responses*)
- Information Technology (*23%: IT management and IT disaster recovery management*)
- Corporate management (finance, operations or other) (*12%*)
- Chief Executive Officer/President (*7%*)
- Other corporate/executive management (*7%*)
- Security management (*6%*)
- Risk management (*5%*)
- Other management (*7%*)



Approximately 96% of 935 Respondents Have BCM Programs in Place



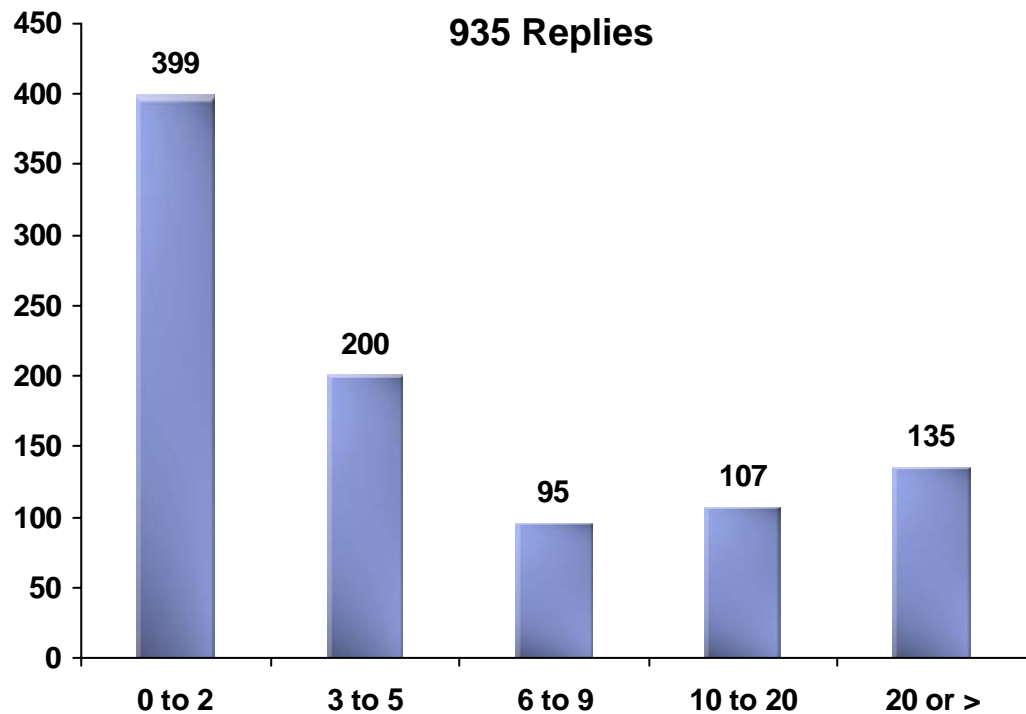


“While more than 96% of survey respondents indicating that they have established a business continuity management program, a small percentage of them are refining their programs to address the NFPA 1600 Standard. Clearly those organizations that are currently enhancing their program to address NFPA 1600 have indicated their organization’s commitment to following a standards-based approach. 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 Web site”.

Marty Plevel, Advisory Services, KPMG



How Many Individuals Are Dedicated to the BCM Program Across Your Organization (FT and PT)?



- 43% have 2 or fewer staff members dedicated.
- 21% have 3 to 5 individuals dedicated.
- 14% have more than 20 individuals dedicated.



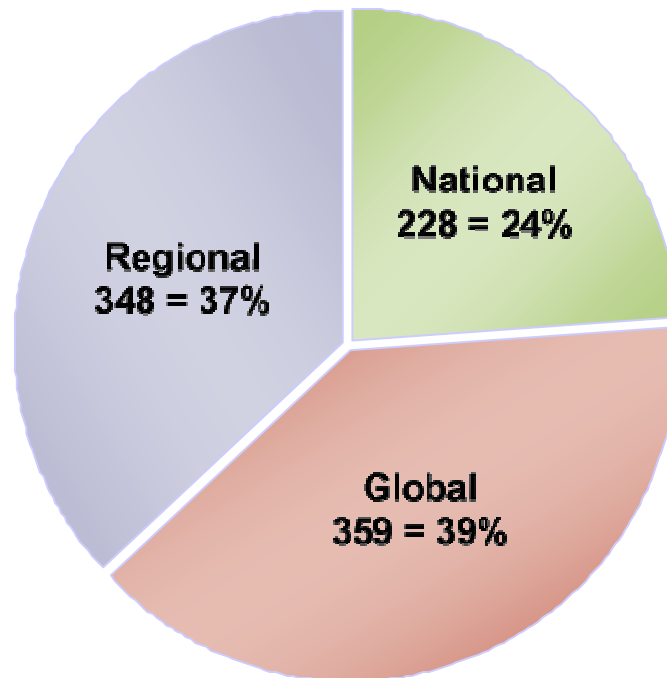
How Many People Are Employed At Your Company?

Amount of Employees	Replies	Percentage
Less than 25	75	8.03%
25 to 99	39	4.01%
100 to 499	68	7.22%
500 to 999	72	7.70%
1,000 to 4,999	243	26.00%
5,000 to 9,999	128	13.64%
10,000 to 19,999	96	10.27%
20,000 or more	216	23.11%
Total	937	100.00%

Custom reports can be provided to benchmark organizations of similar size.



Study Participants Also Had a Diverse Geographical Scope for Their Operations





Company's Approximate Annual Revenues

Revenue	Replies	Percentage
Under \$10 million	119	12.68%
\$10 million to \$50 million	89	9.47%
\$50 million to \$100 million	53	5.62%
\$100 million to \$500 million	135	14.45%
\$500 million to \$1 billion	105	11.24%
\$1 billion to \$5 billion	210	22.47%
More than \$5 billion	225	24.08%
Total	936	100.00%

Custom reports can be provided to benchmark organizations with similar revenue profiles.



Primary Owner of BCM Program

Chief Information Officer	(11.08%)	Other Corporate/ Executive Management	(6.58%)
Chief Executive Officer/President	(5.78%)	Chief Security Officer/VP/Director	(6.10%)
Specific Department Managers/ Directors	(13.80%)	Chief Risk Officer	(5.30%)
Business Continuity Management Program VP/Director/Coordinator	(36.12%)	Chief Operating Officer	(4.49%)
Other Management	(7.70%)	Chief Financial Officer	(3.05%)

In this year's survey, Business Continuity Management Program VP/Director/Coordinator was added as one of the options for the primary owner of the BCM Program. More than one out of three survey respondents have a person with one of those job titles assigned overall BCM Program leadership.



Interruptions in the Past Year?

Power Outages	(59.07%)	Information Security Breach	(26.48%)
Hardware Failure	(51.04%)	Utility Service Provider Failure	(31.62%)
Network Failure	(40.61%)	Merger/Acquisition	(24.24%)
Software Failure	(39.97%)	Ethical Scandal/Corporate Governance	(4.33%)
Human Error	(37.72%)	Labor Disputes	(6.90%)
Telecommunications Failure	(41.73%)	Terrorist Activity	(4.98%)
Facilities Move	(35.15%)	War	(2.41%)
Natural Disaster	(46.87%)	Other	(6.90%)

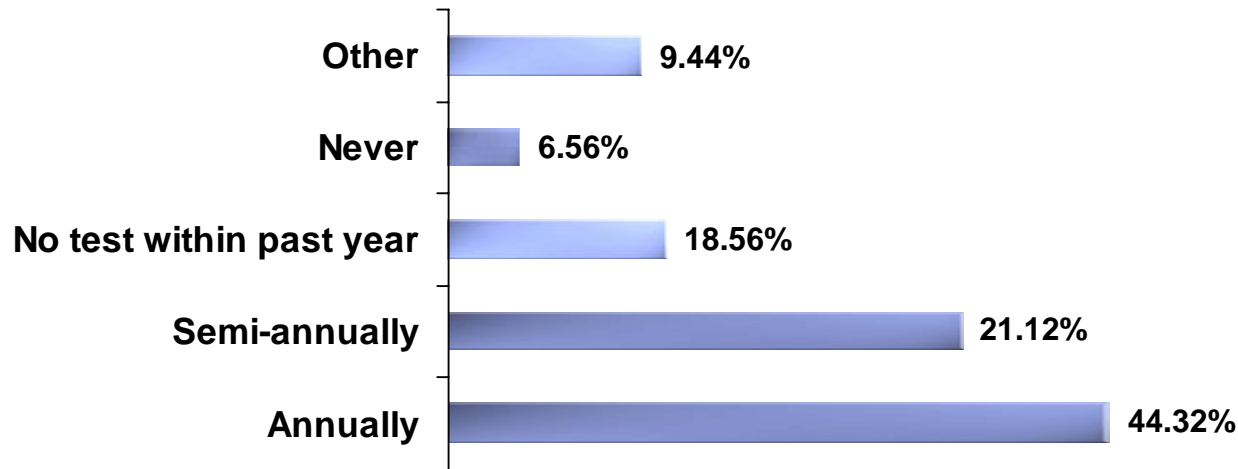


“Year after year we see that natural disasters are not the major reason for an outage or the interruption of business. And yet, organizations are still failing to prepare themselves for the majority of interruptions, such as power outages, hardware failures, network failures, etc. We cannot stress enough how these interruptions affect a business’ bottom line and there are solutions available to help mitigate risk.”

Patrick Doherty, Sungard Availability Services



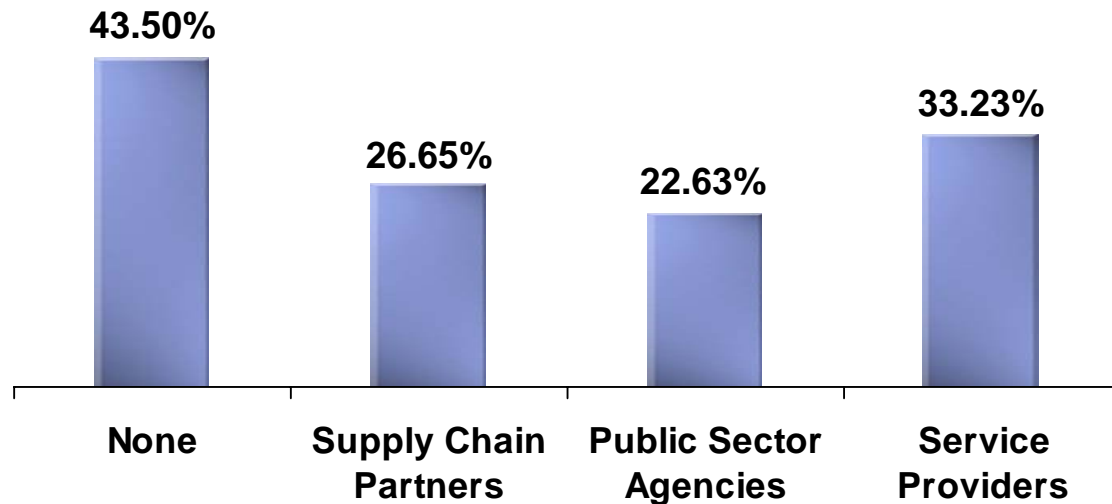
Two Thirds Test the Technology Aspects of Disaster Recovery Plans at Least Once a Year



How Often Do You Test the Technology Aspects of Disaster Recovery Your Plans?



What Other Organizations Are Involved With Your Exercises and/or Tests?





Estimation of Cost of Business Disruptions to Organizations in the Past 12 Months

Revenue	Replies	Percentage
Less than \$100,000	548	58.59%
\$100,000 to \$499,999	212	22.63%
\$500,000 to \$999,999	63	6.74%
\$1 million to \$5 million	68	7.22%
More than \$5 million	45	4.82%
\$1 billion to \$5 billion	933	100.00%



“A significant number of companies experienced a wide range of outages last year, but the costs were relatively minor. And the hourly cost of downtime appears to be falling.

Are organizations overemphasizing the number of outages? Are they failing to measure their downtime costs? Or are they implementing stronger risk mitigation measures in concert with plans, which is lowering the costs of an interruption. This is an interesting concept.”

Brian Zawada, Avalution Consulting



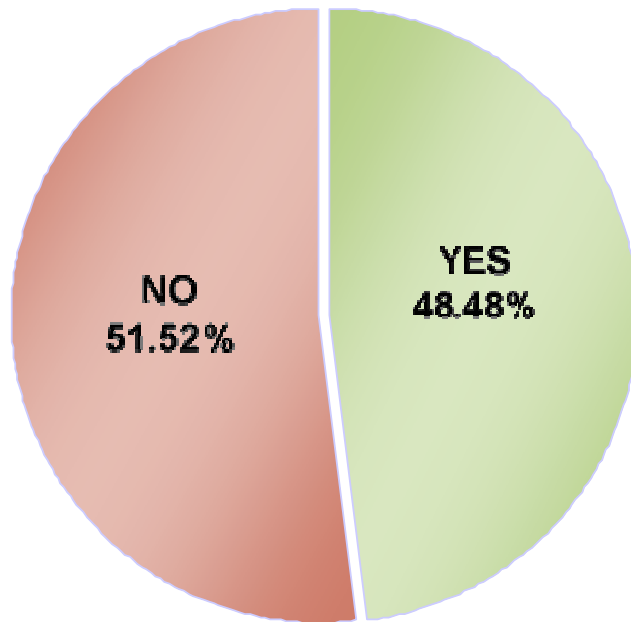
Financial Impact of a Major Disruption Varies

Lost Revenue / Hour	Replies	Percentage
Less than \$50,000	320	34.19%
\$50,000 to \$100,000	207	22.15%
\$100,000 to \$250,000	177	18.94%
\$250,000 to \$500,000	83	8.83%
\$500,000 to \$1 million	63	6.74%
\$1 million to \$5 million	83	6.74%
More than \$5 million	23	2.41%
Total	936	100.00%

What Would You Estimate a Major Disruption Would Cost Your Company Per Hour?



Nearly Half Experienced a Disruption That Caused Activation of Business Continuity, Crisis Management and/or Disaster Recovery Plans



To limit potential impact:

- Continuously improve ability to mitigate risks
- Quickly respond to incidents



Interruptions in the Past Year That Caused Companies to Activate the Following Documented Recovery Plans

Interruptions	Participants	Percentage
Business unit recovery	287	30.66%
Network recovery	263	28.09%
Work area recovery	314	33.55%
Data/storage recovery	278	29.7%
Data center recovery	153	16.37%
Total	1295	100.00%

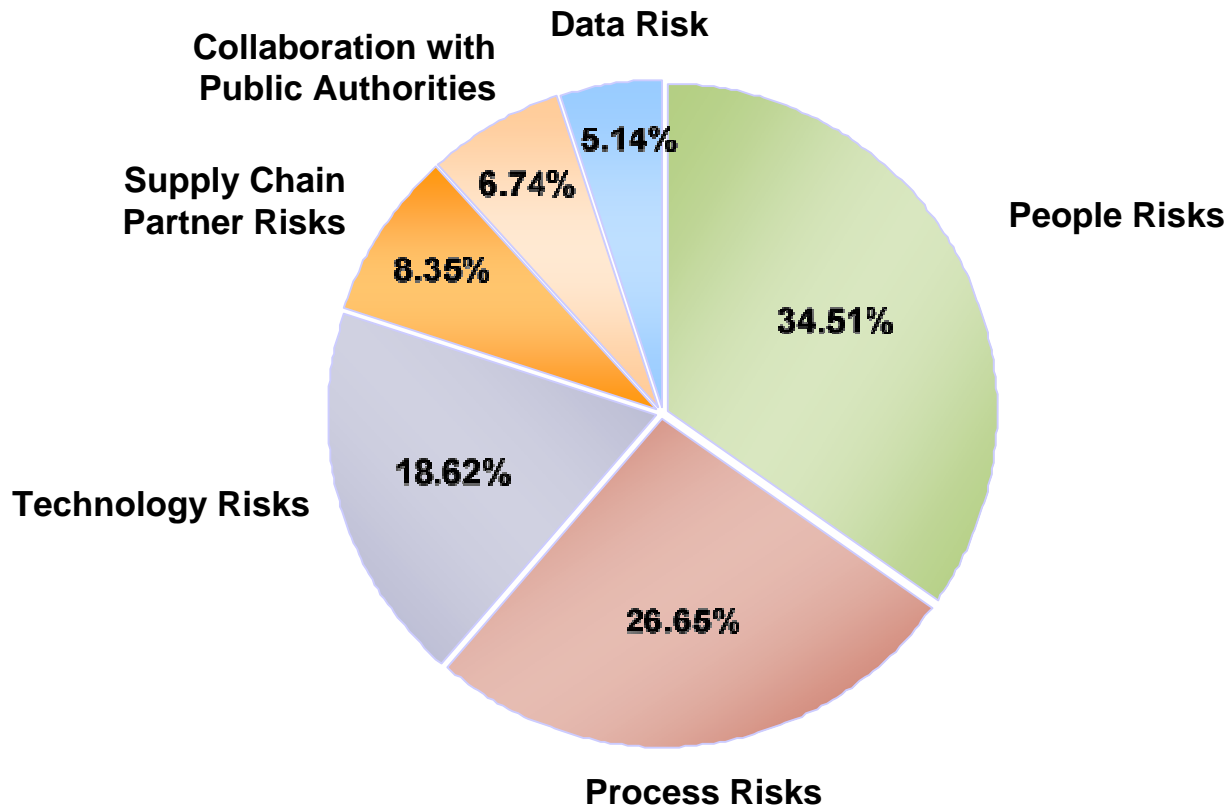


“Work area recovery” was the most activated element of documented recovery plans. This is another trend that I've seen over the past five years where recoveries are requiring more work area space compared to pure data center recoveries.”

Pat Corcoran, IBM



Weakest Link in Continuity Strategy, Planning, and Recovery



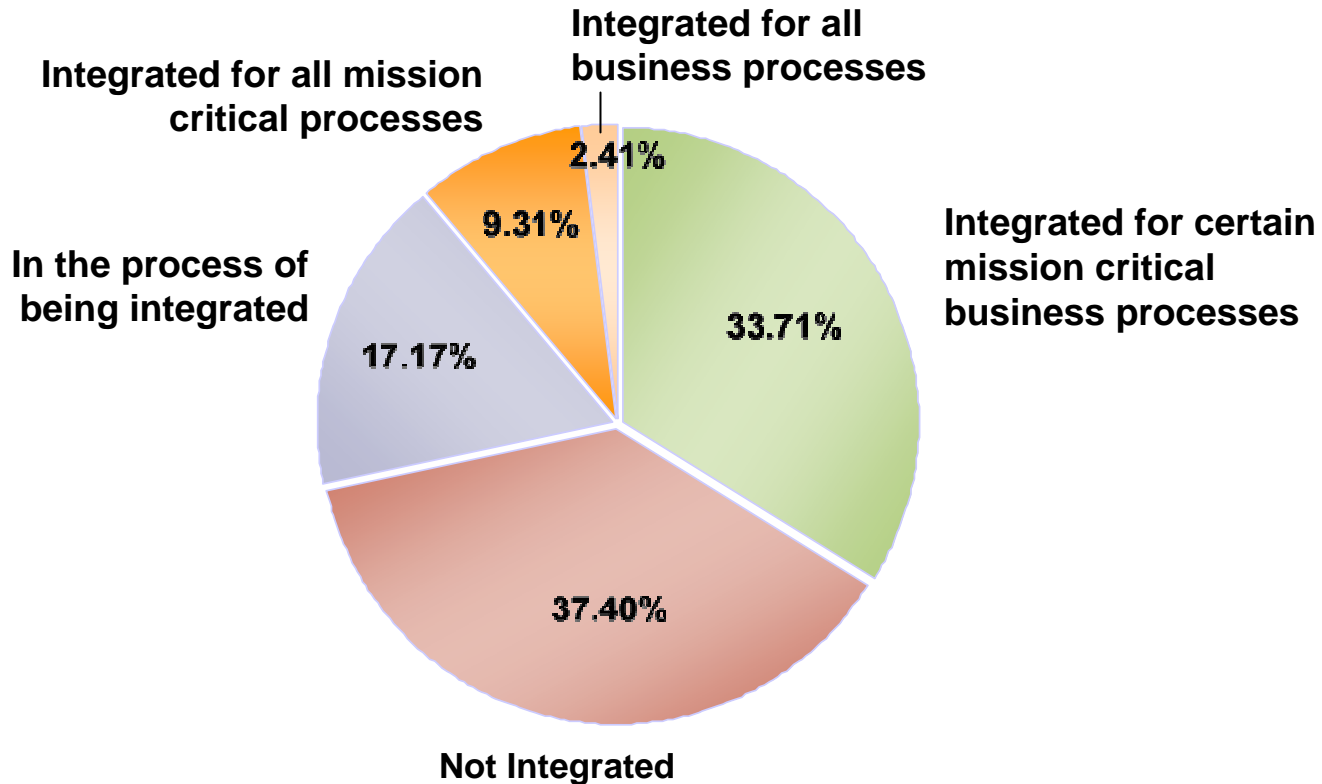


“A majority of respondents said that their weakest link in their business continuity planning and recovery efforts were the “people risks.” And yet, over 64% are still not training their employees on business continuity, crisis management, and recovery. This survey reinforces the need for continual education of employees across the enterprise to stress the importance of the availability of information that keeps their businesses in business.”

Patrick Doherty, Sungard Availability Services



What Best Describes the Extent That Third-party Companies or Service Provider's Business Continuity Plans Are Integrated Within Your Business Continuity Management Program?





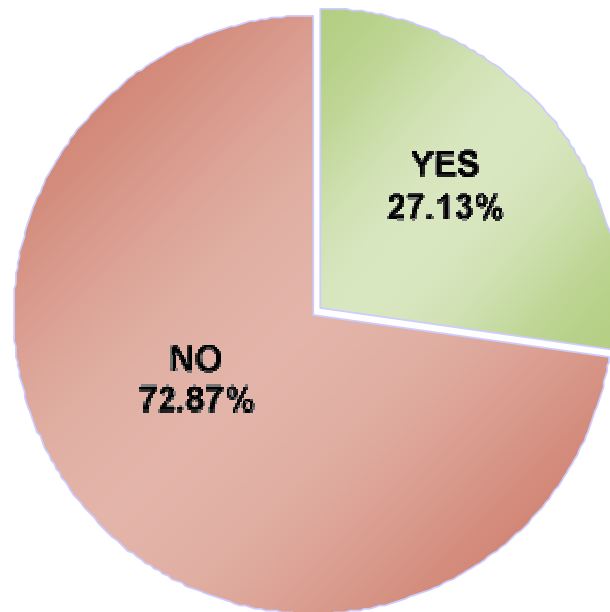
1 in 4 Companies Targeted Supply Chain and Accounting/Payroll-Related Processes That Involve Interdependent Third-party Companies or Service Providers for Integration This Year

Customer Support	167	17.82%
Accounting/Payroll	248	26.48%
Press/Media Communications	83	8.86%
Supply Chain	257	27.45%
Website Hosting	183	19.58 %
Ecommerce	125	13.32 %
Manufacturing	41	4.33 %
Transportation	92	9.79 %
Logistics	131	13.96 %
Sales/Marketing	56	5.94%
Other	84	8.99%
<i>Total</i>	<i>1467</i>	<i>100.00%</i>

What processes that involve third-party companies or service providers have been or are targeted for integration within the next 12 months?



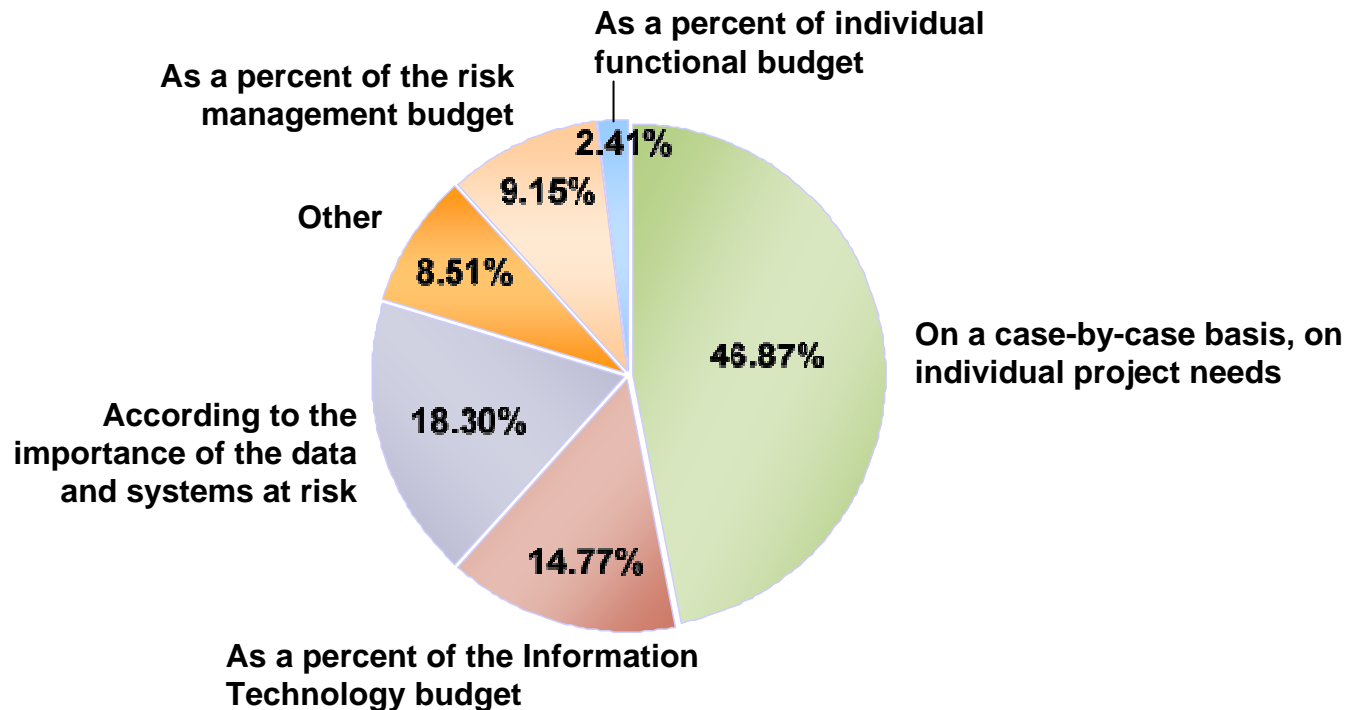
Nearly 30% Of Companies Are Making Strategic Marketing Use Of Their Business Continuity Management Program



Does Your Organization Currently Make Strategic Marketing Use of its Business Continuity Management Program?



Continuity Budget Origination Still Varies



“Business continuity management is an essential part of doing business, and the cost of not being prepared far exceeds whatever expense must be budgeted to develop proper plans”
John B. Copenhaver, President, DRI International (Continuity Insights, March/April, 2005)



How Well Integrated is the BCM Program With...

	<u>Extremely</u>	<u>Very Much</u>	<u>Somewhat</u>	<u>Not At All</u>	<u>Total</u>
The information Security Program?	14.29%	29.37%	41.89%	14.45%	100%
The Facilities/Physical Security Management Program?	18.30%	38.20%	33.39%	10.11%	100%
The Risk Management Program?	16.29%	29.86%	39.04%	15.73%	100%

“To fully identify and manage risk, and to do so in an efficient and effective manner, organizations must continue to integrate risk management disciplines,” Brian Zawada, Avalution Consulting.



How Well Integrated is the BCM Program With...

	<u>Extremely</u>	<u>Very Much</u>	<u>Somewhat</u>	<u>Not At All</u>	<u>Total</u>
The Corporate/General Management Strategic Planning Program?	8.67%	20.71%	48.96%	21.67%	100%
The Crisis Management Program?	25.52%	29.05%	32.91%	12.52%	100%
The Internal Audit and Regulatory Compliance Programs?	16.21%	29.70%	38.36%	15.73%	100%

“Although progress is being made, continued progress is needed regarding the need to have integration between risk management and organizational strategic planning.” Brian Zawada, Avalution Consulting.

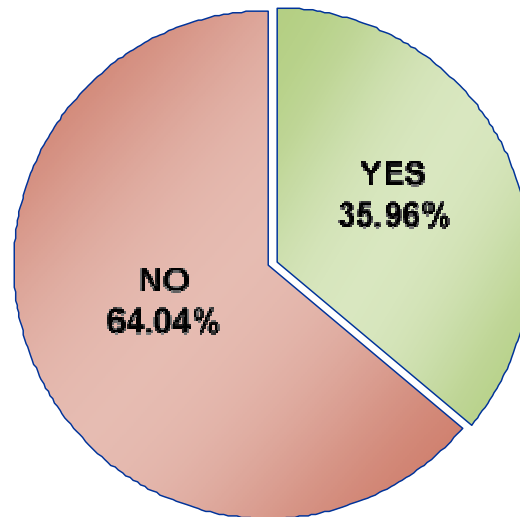


How Well Integrated is the BCM Program With...

	<u>Extremely</u>	<u>Very Much</u>	<u>Somewhat</u>	<u>Not At All</u>	<u>Total</u>
Third-party Companies or Service Providers Required to Design, Manufacture or Deliver Your Product or Service?	5.46%	16.37%	46.55%	31.62%	100%
Utility Companies and Telecommunications Service Providers?	7.54%	25.04%	46.07%	21.35%	100%
Public Authorities (Police, Fire, EMS, State Emergency Management, etc.)	7.54%	20.22%	48.80%	23.43%	100%



One Third Indicated That Their Employees Receive Sufficient Crisis Management and Disaster Recovery Training



Do Your Employees Receive Sufficient Crisis Management and Disaster Recovery Training?



“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. This is in line with my observations over the past few years.

It is critical that the people aspects get more focus. 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.”

Pat Corcoran, IBM



Requests for Custom Benchmarking Reports

- If you would like to benchmark your organization by leveraging the *Continuity Insights/KPMG Business Continuity Management Benchmarking Study* or custom reports please provide Bob Nakao or Marty Plevel the following information:
 - Your name
 - Your organization
 - Your title
 - Your e-mail address
 - The study and/or custom report(s) you would like to receive (industry, annual revenue or number of employees)
 - Primary business (industry or government)
- You will be provided the requested information, generally within 5 business days of the receipt of your request



Summary

- The source of the quotes in this presentation are a number of business continuity practitioners that provided quotes for an article written by Buffy Rojas, Editor in Chief, *Continuity Insights*, to summarize the findings from the 2006 *Continuity Insights/KPMG Business Continuity Management Benchmarking Study*
- Reprints of the article will be available at www.continuityinsights.com
- Complete study results and custom reports are available for you to use
- For more information, contact Marty Plevel, KPMG Benchmarking Study Coordinator at mplevel@kpmg.com or Bob Nakao at bob@continuityinsights.com .