

Business Continuity Management

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Introduction

The Chartered Management Institute (the Institute), supported by COLT Telecom Group Plc, Nortel Networks and the Business Continuity Institute, has published new research into Business Continuity Management (BCM). This is the fifth survey since 1999 that the Institute has undertaken into issues around Business Continuity, which is defined by the Business Continuity Institute as:

“...an holistic management process that identifies potential impacts that threaten an organisation and provides a framework for building resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value creating activities”

The objectives of the research were to explore the awareness, extent, and nature of BCM among managers and to assess changes in awareness and attitude from earlier Institute research. The research also enables managers to share best practice and to use its results to improve understanding of Business Continuity issues.

The research took place in January 2004. The views of 461 managers were obtained from a postal questionnaire sent to a random sample of individual Institute members.

Survey Findings

Events causing disruption in the past year

Base: 461 respondents (2004)	1999 %	2002 %	2003 %	2004 %
Loss of IT capacity	6	19	24	25
Loss of telecommunications	-	-	-	23
Loss of people	-	-	26	20
Negative publicity/coverage	2	24	17	16
Loss of skills	1	33	16	14
Supply chain disruption	-	19	11	12
Flood/high winds	4	18	15	10
Employee health and safety scare	0	13	9	8
Damage to corporate image/reputation	1	15	7	8
Pressure group protest	1	10	7	7
Loss of site	2	5	5	6
Fire	2	6	5	5
Military conflict	-	-	2	5
Environmental liability	2	9	5	4
Customer health/product safety issue	1	11	6	4
Terrorist damage	1	2	1	1

Table 1: Types of disruption to organisations in past year

- Table 1 illustrates that loss of IT capacity, loss of telecommunications (asked about for the first time in this year's survey) and loss of people were the three key organisational disruption scenarios. However interruptions to critical business communications and systems together accounted for the main disruptions within organisations in the past year.



The Business
Continuity Institute

The UK's preparedness for terrorism

- There has been a significant improvement in managers' confidence in the UK's preparedness for the international terrorist threat. This year opinion was evenly divided with 36 per cent thinking it sufficient and the same percentage saying it was insufficient. By contrast, in 2003 49 per cent thought preparations were insufficient, and only 23 per cent thought they were sufficient.
- This may be reflecting that managers have become less concerned about terrorism as the memories of the September 2001 attack diminish. It could also be seen as a sign that they have been reassured by the widely publicised disaster rehearsals that the Government staged in 2003.

Telecommunications issues

- The use of telecommunications for voice, data and Internet connectivity has become increasingly important to modern organisations. Failure to answer incoming calls or interruption to an Internet site can cause a loss of business and reputation. If staff have difficulty in accessing information systems due to restricted telecommunications capacity, operating costs may rise.
- Managers were asked how important the maintenance of a range of employee and customer applications is to their organisations.

Base: 461 respondents (2004)	Very important %	Quite important %	Less important %	Unimportant %
Voice communications	66	20	4	4
Internet access	53	25	13	6
Real-time computer applications	46	20	15	12
Access to historical information	38	36	14	6

Table 2: Importance of various telecommunications applications

- An overwhelming majority (86 per cent) cited the maintenance of voice communication as either very or quite important to their organisation. Over three-quarters (78 per cent) said the same of Internet access.
- The fact that 66 per cent said that real-time computer applications were either very important or quite important could be interpreted as a sign that organisations are relying on faster access to applications to increase efficiencies and customer response times.
- There was evidence that a larger proportion of organisations' IT budgets will be allocated to meet their data storage requirements, with nearly three quarters (74 per cent) considering access to historical information as being very or quite important.
- The survey asked what the key business drivers are behind organisations increasing their spending on data communications. Although 30 per cent said they have no plans to increase spending, 27 per cent reported that improving the speed of access to vital information assets is the key business driver. Improving protection of vital information assets was specified by 17 per cent of managers, 10 per cent cited convergence of multiple services into one system and 9 per cent said reducing costs.

- There are two key issues driving organisations' business continuity strategy around maximising IT and telecommunications availability. Over half (54 per cent) of managers identified increased reliance on their organisation's infrastructure and systems and 44 per cent specified data protection/security issues.
- Only 21 per cent said that they are driven by increased regulatory requirements, 16 per cent by social changes (e.g. remote/flexible working patterns), and 15 per cent by technical changes (e.g. switch to broadband).
- While over half of managers (53 per cent) anticipated that their organisation's budget to protect telecommunications infrastructure will remain the same in 2004, 25 per cent forecast an increase.

The Extent of Business Continuity Planning

- The number of organisations who have any sort of Business Continuity Plan (BCP) in place stands at 47 per cent this year, compared to 46 per cent in 2003 and 45 per cent in 2002.
- Business Continuity Planning is considerably more widespread in large organisations. Of those with a turnover of £11 million or more, 69 per cent have a BCP, compared to just 34 per cent of those with a turnover of under £11 million.
- As in previous years Table 3 shows that the key external drivers for an organisation to look more closely at Business Continuity Management remain existing and potential customers, although corporate governance issues and insurers also exert a significant influence.

Base: 461 respondents (2004)	2002 %	2003 %	2004 %
Existing customers	36	30	30
Corporate governance	22	26	24
Insurers	12	25	22
Potential customers	29	22	21
Regulators	-	17	18
Auditors	14	15	15
Central government	24	15	14
Suppliers	9	6	6
Investors	9	6	5
Don't know	12	6	5
Other	5	7	-
Not applicable / Not looked at BCM	-	7	25

Table 3: External drivers for Business Continuity Management

- Looking at this by size of organisation, a slightly different picture emerges. Larger organisations (i.e. those with a turnover of over £11 million) are significantly more likely to be driven by corporate governance requirements. In 2002, 29 per cent of larger organisations identified corporate governance as a driver, compared to 37 per cent in 2003 and 44 per cent this year. Otherwise, there were no marked differences between SMEs and larger organisations in terms of what drives BCM.

Extent of concerns about potential threats and disruptions

- As in the previous four surveys, managers were asked about the kinds of threats that might have a significant impact on costs and revenues. Loss of telecommunications tops the list of concerns about disruptions to organisations' activities. Loss of IT capacity, fire, and loss of site also remain key concerns to organisations, with over half of managers saying that they would cause disruption.

Base: 461 respondents (2004)	1999 %	2001 %	2002 %	2003 %	2004 %
Loss of telecommunications	-	-	-	-	62
Loss of IT capacity	78	82	46	58	60
Fire	45	62	32	51	53
Loss of site	33	55	32	54	51
Loss of skills	37	59	43	51	48
Loss of people	-	-	-	54	48
Damage to corporate image/reputation	41	50	40	46	48
Terrorist damage	22	30	23	47	48
Negative publicity/coverage	34	43	37	45	46
Employee health and safety scare	22	30	22	35	34
Supply chain disruption	-	-	25	34	32
Pressure group protest	7	14	9	14	27
Customer health/product safety issue	19	21	22	25	26
Flood/high winds	18	29	9	24	25
Military conflict	-	-	-	16	24
Environmental liability	20	19	19	26	23

Table 4: Extent of concerns about organisational disruption 1999-2004

- Looking at the trends since 1999, it is notable that there have been some significant increases in the level of concern about a range of potential threats and disruptions. Of the original 12 types of disruption asked about in 1999, all have seen an increase with the exception of loss of IT capacity (which, as the figures suggest, was in large measure due to the publicity and concerns around the Y2K issue). This would indicate that organisations are feeling increasingly vulnerable to a broad range of threats to their activities.

Disruptions covered by Business Continuity Plans (BCP)

- Those with Business Continuity Plans however still tend to concentrate their plans around certain kinds of disruption. Only four kinds of disruption - loss of IT, loss of telecommunications, loss of site, and fire - are covered by a significant majority of BCPs.

Base: 217 respondents (2004)	1999 %	2001 %	2002 %	2003 %	2004 %
Loss of IT capacity	75	69	75	82	84
Loss of telecommunications	-	-	-	-	65
Loss of site	49	43	62	69	64
Fire	55	47	51	58	60

Table 5: Key disruptions covered by Business Continuity Plans 1999-2004

- It is of concern that while an increasing number of organisations are aware of a greater range of threats to their organisation (as illustrated in Table 4), this is not being matched by the extent of their business continuity planning.
- Striking examples of this are terrorist damage, pressure group protest and floods/high winds and environmental liability, which despite having seen significant increases in the levels of concern, have seen falls or only slight increases in coverage by BCPs.
- The number of managers who expressed concern about terrorist damage has increased significantly since 1999 (see Table 4). However, the percentage of organisations whose BCPs cover terrorist damage has fallen dramatically from 47 per cent in 2003 to 33 per cent this year. While concerns about pressure group protest have increased nearly fourfold since 1999, those organisations incorporating it into their BCP has increased only slightly from 10 to 12 per cent.

Best Practice in Business Continuity Management

Rehearsal of Business Continuity Plans

- The amount of BCP rehearsal remains a cause for anxiety, with nearly one in four organisations not rehearsing their plans at all according to this year's survey. Only 57 per cent in total rehearse their BCP at least once a year, the minimum requirement recommended by the Business Continuity Institute.

Base: 217 respondents (2004)	1999 %	2001 %	2002 %	2003 %	2004 %
Not at all	30	40	16	19	24
At least every three months	10	4	6	8	5
At least every six months	11	14	12	11	12
About once a year	30	31	39	36	40
About every two years	9	9	7	8	7
About every three years	3	3	3	4	3
Don't know	-	-	16	12	8

Table 6: Frequency with which BCPs rehearsed 1999-2004

Nature and scope of Business Continuity Plan rehearsal

- Managers were again asked whether their BCP rehearsals had revealed any shortcomings in their effectiveness and whether these had been addressed.
- A total of 83 per cent said that their rehearsals revealed shortcomings in effectiveness, up from 81 per cent in 2003. This clearly illustrates the crucial importance of BCP rehearsal for effective BCM.
- It remains a worry nevertheless that 10 per cent have had rehearsals which revealed shortcomings but have not done anything to remedy them, although encouragingly this is down from 13 per cent last year.

Techniques for Business Continuity Plan rehearsal

Base: 145 respondents (2004)	2003 %	2004 %
Desk based audits	55	59
Walk-through	43	38
Prepared rehearsal	35	27
Full plan scenario with all partners	21	20
Other	4	13

Table 7: Techniques for Business Continuity rehearsal

- As Table 7 shows, the survey asked about the kind of techniques used, ranging from desk based audits to full plan scenario with all partners. Again the findings showed that more limited techniques rather than full plan scenario were more commonplace.

Extent of Business Continuity Plan rehearsal

- Managers were asked about the scope and extent of their BCP rehearsal. This year's findings showed a similar picture to last year with only 11 per cent involving Board level scenario rehearsal (up a little from 8 per cent in 2003). By contrast, considerably more limited kinds of rehearsal such as IT recovery was conducted by 34 per cent of organisations (down from 40 per cent in 2003). Fifteen per cent practised workplace recovery and 18 per cent business unit rehearsal.

External evaluation and benchmarking of Business Continuity Plans

Base: 217 respondents (2004)	1999 %	2001 %	2002 %	2003 %	2004 %
Yes	23	21	27	40	32
No	59	56	47	46	51
Don't know	16	21	26	7	18

Table 8: External evaluation or benchmarking of BCPs 1999-2004

- The quality of organisations' BCPs has room for improvement, with only about one in three benchmarking or evaluating their plans. While last year's findings showed a significant improvement in the number of organisations who use some form of external evaluation of their BCPs, this trend appears to have been largely reversed this year.

Regulatory framework for BCM

Base: 217 respondents (2004)	1999 %	2001 %	2002 %	2003 %	2004 %
Self-assessment	51	40	47	46	50
A code of practice	25	26	23	23	16
Corporate Governance guidelines	7	11	11	10	13
Government guidelines	6	10	6	6	5
Government regulations	3	3	3	4	4
Inclusion in company law	3	6	4	3	3
Stock market regulations	1	2	1	1	1
None of these	-	-	-	4	6

Table 9: Most favoured regulatory mechanisms for encouraging BCM 1999-2004

- Managers remain firmly of the view that the 'light touch' option of self-assessment is the best means of encouraging BCM. There is clearly some anxiety on the part of managers about regulation being imposed on business. This is despite widespread and continuing public concerns about corporate accounting scandals.

British Standards Guide to Business Continuity Management PAS 56

- Managers were asked for the first time about the recently introduced British Standards Guide to Business Continuity Management, PAS 56. Encouragingly, of those with a BCP, 26 per cent were aware of the new guide, although only 7 per cent currently use PAS 56.
- Perhaps unsurprisingly, managers in larger organisations were more likely to be both aware of, and to use, the new guide: some 30 per cent of organisations with a turnover of over £11 million being aware and 12 per cent using the guide. This is likely to reflect the value of this guide in providing the basis for an assessment of BCM capability.

Key audiences for Business Continuity Plan communication

- The extent of organisations' communication of their BCPs to stakeholders does not seem to be increasing. Indeed, communication of the plans to employees has fallen significantly since 2002.

Base: 217 respondents (2004)	1999 %	2002 %	2003 %	2004 %
Senior management/Board	71	73	80	76
Employees	53	63	52	44
Insurance companies	18	16	29	21
Regulators	-	-	25	18
Customers	28	19	20	18
Shareholders	21	15	16	14
Suppliers	15	15	7	7
The investment community	8	8	8	6
Local community	8	7	9	6
Others	7	3	5	11
Don't know	-	8	4	4

Table 10: Stakeholders to whom BCP is communicated 1999-2004

- Analysing this by size of organisation, we see that, as in previous years, larger organisations are more likely to communicate their BCPs to their stakeholders. For instance, in this year's survey 83 per cent of larger organisations communicated their plans to the Board, 50 per cent to their employees and 29 per cent to insurance companies.

Supply chain management issues

Requirement for outsource suppliers to have a Business Continuity Plan

- This remains a grave cause for concern. Only 14 per cent of organisations require outsource suppliers to have a BCP. This is virtually identical to the findings in the 2002 and 2003 surveys. The Business Continuity Institute strongly recommends that all organisations which outsource their facilities or services insist that their outsource suppliers have a BCP in place.

Verification of outsource suppliers' Business Continuity Plans

- Of those who require their outsource suppliers to have a BCP, the most popular means of verifying plans is a statement from suppliers, with 55 per cent using this means of verification. The concern here is that no evaluation of BCM capability has been undertaken with outsource suppliers.
- This compares to 39 per cent who examine their suppliers' BCPs and 26 per cent who involve themselves in the business continuity development of their outsource suppliers. These findings are similar to those in the 2002 and 2003 surveys.

Conclusions

- Generally, managers have focused on internal organisational capability when determining which recent disruptions they should take measures to protect themselves against.
- Managers appear to be significantly less sceptical than a year ago about the UK's ability to deal with the international terrorist threat.
- Minimising the risk of disruption to critical business communications and systems is at the top of the agenda for organisations formulating a BCP.
- The survey continues to show that the majority of managers work in organisations that do not have a BCP in place, or that they are unaware of its existence.
- The increased level of concern about threats to organisations' business continuity has not resulted in either a significant increase in the adoption of BCPs or a wider range of disruption scenarios being created within BCPs.
- There is clear evidence that BCP rehearsal is essential for effective BCM.
- It is still the case that very few organisations practise high quality BCM as evinced by BCP rehearsal that involves the whole organisation, both in terms of its functions and personnel.
- It also remains a worry that despite the limited nature of BCM in organisations, such a large number of managers think that little more than self-assessment is required in order to encourage best practice.

Recommendations

- The Chartered Management Institute and The Business Continuity Institute recommend that all organisations should have a BCP in place and practice good BCM. For further information about how to implement BCM visit the Business Continuity Institute website (www.thebci.org).
- We recommend that those organisations that currently have BCPs consider further ways of enhancing their effectiveness through regular, thorough and comprehensive rehearsals, internal and external communication, and evaluation against published standards/guidelines.
- We recommend that organisations further extend the scope of the scenarios covered by their BCPs. Organisations need to consider much more than IT and telecommunications when developing and rehearsing their BCPs.
- We recommend that organisations use British Standard PAS 56 and any subsequent standard as a basis for self-assessment and benchmarking of Business Continuity.
- The Chartered Management Institute and The Business Continuity Institute welcome the moves within Company Law Reform to include company reporting on risk management. They urge organisations to pre-empt likely legislative developments in this area, and take decisive steps to introduce high quality BCM.
- We recommend that BCM is used throughout supply networks in the UK, in particular with outsourced providers.

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