The Business Case for BCM

The Business Continuity Institute’s report on the tangible benefits of BCM programmes based on a worldwide survey of practitioners

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Table of Contents

Introduction and survey methodology 3
Key findings 3-4

Survey Responses Part I
• Number of disruptive events requiring BCP invocations 5
• Organizational impact of these events 5
• Disruptive event types from the last 12 months 6-7
• Investment in BCM expertise 8
• BCM programme scope 8
• BCM programme recognition and effectiveness 9
• Benefits of BCM to the organization 9
• Positive impact of BCM on recovery timescales 10
• Cost savings and revenue protection with BCM 10

Analysis I
• Relationship between events, locations and employee levels 11
• BCM investment comparisons by locations and employee levels 12

Survey Responses Part II
• BCM and Business Interruption insurance 13
• BCM standards 14

Survey Responses Part III
• BCM Consultants 15
• BCM Products & Services 16

Analysis II
• By Primary Activity (SIC 2007) 17-18
• By Geography 19-20

Respondent Profiles 21-24
Conclusions, Reflection and Next Steps 25
Contacting the BCI 26

Appendix A—Written comments. 27
Introduction

The purpose of the survey is to identify the substantive benefits that BCM programmes are bringing to organizations as experienced by practitioners around the world. These insights will be used to promote the adoption of BCM among the many organizations yet to formalise their approach to business continuity.

We would like to thank those who took the time to respond to the online survey, without whose help, we would not be able to develop this report.

Survey Methodology

An online survey of BCM practitioners was conducted by the BCI between November 20th 2009 and January 14th 2010 with 221 respondents.

The report is divided into three sections providing the aggregate survey results and two sections providing further segmental analysis.

Key Findings

- 94% of responding organizations experienced some level of disruption over the past 12 months. The top five events over the past 12 months by levels experienced were:
  1. Swine Flu (145)
  2. IT and/or Telecom disruption (128)
  3. Adverse weather (120)
  4. Lack of energy supply (77)
  5. Computer virus/cyber attack (73)

- The primary advantages of BCM programmes are “reduced impact of incidents” and “faster recovery from incidents”. The primary impact of BCP-invoking events is given as “loss of productivity”.

- 82% of respondents agreed that their BCM programmes demonstrably mitigated the impact of the disruption.

- Only 55% needed to invoke their BCP, meaning that the counter measures developed as part of the BCM programme were able to ensure greater resilience for the organization, i.e. ensuring “business as usual” more frequently.

- For those that did need to activate their BCP, 77% said they were able to recover faster as a result of the BCM programme and a quarter were able to recover in half the time compared to not having a plan.

- 55% said that their BCP meant they saved the company money or protected revenue streams.

- The survey results show that organizations are applying BCM to deal with a wide range of event-types with two to five BCP-invoking events a year being the most common recorded range among respondents.

- There is a correlation between the level of disruptive events experienced and the number of locations i.e. the wider the geographical spread of an organization, the greater the number of disruptive events reported.

- Insurance is not a big factor in BCM adoption and most BCM practitioners are not involved in Business Interruption insurance discussions; those that are report few tangible benefits from discussions with insurers.

- Supply chain is the area in most BCM programmes with greatest levels of dissatisfaction. This supports the BCI’s work in this area.

- The IT director is not the dominant reporting line for respondents. 26% reported to the CEO or Managing Director direct; 19% to the Operations Director; and 14% to the IT Director, sharing this level with the Finance Director and Chief Risk Officer.

- Although UK respondents were the largest single group with 56 UK-only respondents, the majority of respondents had an international view of BCM. The UK-only level is high because of public sector respondents.

- Survey respondents were significant budget holders or influencers for specified BCM products and services:
  - 81% for alternative accommodation
  - 59% for ICT back-up/DR
  - 47% for VPNs
  - 41% for EAPs
  - 72% for messaging/notification systems
  - 85% for BCM programme management products/services
  - 56% for transport services
  - 43% for escrow products/services.
• The professional services sector felt that supply chain considerations in BCM programmes were much less relevant to them than other sectors.

• The IT & communications sector lags far behind other sectors on satisfaction levels with BCM programme scope. The main impacts experienced from disruption are “loss of revenue” and “impaired service outcome”.

• The manufacturing sector sees the main benefits of BCM in terms of faster recovery and increased customer confidence. The main impact is increased cost of working, i.e. overtime costs to recover lost production time.

• The finance sector sees the main benefit of BCM in meeting regulatory compliance needs. This sector tends to invest more in training people in BCM. Loss of productivity is the primary impact experienced.

• The (UK) public sector felt BCM benefits are “reduced impact of incidents” and “better understanding of the organization”. The impact experienced most is “impaired service outcome”. The positive outcome experienced is “favourable media coverage”. This sector is the most inclined to use consultants in its BCM programme, but only 35% say they are very satisfied with their consultants.

• 75% of respondents want to see consultants they hire as BCI members.

Conclusions

The findings from this survey offer both re-assurance and the promise of a healthy future for BCM practitioners, especially where BCM is allowed to bring value to an organization beyond its traditional confines in IT and telecom.

Reassurance in that the main advantages of BCM were confirmed as “reduced impact of incidents” and “faster recovery from incidents” and encouraging in seeing “protecting reputation” and “better understanding of the organization” as the key benefits.

It is very encouraging to see the high number of respondents who were able to put tangible figures on the difference that their BCM programmes made in terms of faster recovery times and in either saving money or protecting revenue streams.

The high levels of incidents reported in the year show that BCM is being more widely applied to more frequently occurring events. BCM is not just about low probability, high impact events.

Investment levels in BCM expertise are less encouraging with numbers of trained staff quite inelastic in relation to the main drivers of higher incident levels—numbers of locations and number of staff employed.

While a comprehensive recording of disruptive events would be expected, two observations should be made about these types of event:

• Business or market events are being recorded and considered in some BCM programmes.

• BCM is no longer the exclusive preserve of 1-in-20-year type events.

The changing profile of respondents is also encouraging with those reporting through IT management comprising less than a third of respondents, and many are reporting directly to the Managing Director or CEO. This trend is also matched by a good geographical spread of respondents and good cover of different industry sectors. It is also noted that BCM managers have influence over significant budgets.

The key messages from this survey are positive and all those interested in the furtherance of BCM as a key management discipline should communicate these positive messages to those who are still be convinced.

The Business Continuity Institute has also identified areas for further work from this survey including:

• Further development of good practice around applying BCM through the supply chain.

• More work on what is really intended by BCM being embedded in the organization.

• More research on the effectiveness of BCM in dealing with business or market event types.
Survey Responses Part I

Number of disruptive events over the last 12 months that required BCP invocation

34% of respondents chose 2-5 events in the past year. Only slightly more than the 32% who said they had not had any cause to invoke their BCP.

Organizational impact of these events

The main impact is a loss of productivity followed by increased cost of working and impaired service outcome. On the positive side, increased staff morale and positive customer feedback were the most popular positive responses.
Events or incidents which have affected organizations over the past 12 months

25 possible threats were listed in the question (see next page) and respondents were asked to make one of two decisions:

- Their organization had experienced the impact of an event but there was no need to invoke the BCP.
- The level of disruption required BCP invocation.

There was a third question which asked whether the impact of the disruption had been covered in the plan.

207 out of 221 respondents recorded at least one disruption during the past 12 months. A number of respondents recorded more than one disruption.

The primary causes of disruption over the period under consideration were (number of reported incidents in brackets):

- Swine Flu (145)
- IT and/or Telecom disruption (128)
- Adverse weather (120)
- Lack of energy supply (77)
- Computer virus/malware/cyber attack (73)

181 of the 207 respondents stated that they experienced at least one of the events listed but there had been no need to invoke the BCP. However, 115 did experience events from the list which did require BCP invocation.

Events or incidents which caused the highest levels of BCM plan invocation were:

- Adverse weather events (55)
- IT or telecom disruption (55)
- Swine flu (38)
- Lack of energy supply (37)
- Fire (30)

The threat list featured some non-traditional BCM threats such as anti-trust investigation, kidnapping, fraud, take-overs, adverse media coverage and change in government. It was therefore interesting to note that respondents could identify many of these cases occurring – with kidnapping reported by eight respondents and adverse media coverage by 54.

The third part of the question sought to understand the extent to which the impact of the event/incident had already been considered within the BCP to see if certain types of event impacts were being overlooked. 40 respondents (20%) identified one or more threats whose impact had not been considered within their BCP.

The top six overlooked were:

- Anti-trust investigation (1st)
- Employee kidnapping (1st)
- Animal disease (3rd)
- Tighter credit insurance conditions (4th)
- Adverse media coverage (4th)
- Loss of talent/skills (4th)

Reflection

A key question arising is whether a good BCM programme actually improves the baseline performance of an organization, i.e. the reason why 181 respondents did not need to activate their BCP, while others did, was precisely because of the planning, mitigation and preparation made through the BCM programme. These organizations were able to deal with more incidents within “business as usual procedures” not as exceptions.

Swine Flu is a good example. It scored highest in terms of the number of respondents reporting that there had been some disruption (70%), however, it caused only 26% of respondents to invoke their BCP. This is similar to the impact of computer viruses, which again have high occurrence levels but the need to invoke the BCP is relatively uncommon (albeit this may be attributable to the fact that other plans deal with such incidents).

At the other end of the scale, a fire, loss of energy supply or failure of an outsourcer almost inevitably lead to a BCP invocation (59% to 47% range). Industrial action, adverse weather events, product recalls and financial failure of a supplier require BCP invocation in around 40% of cases. This leads to an interesting comparison in the relationship between non-invocation and invocation generating events. In the following table this relationship has been termed the “severity indicator”. It would suggest that certain types of disruption deserve more upfront consideration than others, perhaps they should also be a focus of exercises.
<table>
<thead>
<tr>
<th>Event Description</th>
<th>Disruption - No BCP invoked (1)</th>
<th>Disruption—BCP invoked (2)</th>
<th>Total events recorded (3)</th>
<th>Proportion of respondents registering event (4)</th>
<th>Severity indicator: (2) in relation to (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swine flu</td>
<td>107</td>
<td>38</td>
<td>145</td>
<td>70%</td>
<td>26%</td>
</tr>
<tr>
<td>IT or telecom disruption</td>
<td>73</td>
<td>55</td>
<td>128</td>
<td>62%</td>
<td>43%</td>
</tr>
<tr>
<td>Adverse weather event (incl. flooding)</td>
<td>65</td>
<td>55</td>
<td>120</td>
<td>58%</td>
<td>46%</td>
</tr>
<tr>
<td>Lack of energy supply (power or fuel)</td>
<td>40</td>
<td>37</td>
<td>77</td>
<td>37%</td>
<td>48%</td>
</tr>
<tr>
<td>Computer virus/malware (cyber threats)</td>
<td>56</td>
<td>17</td>
<td>73</td>
<td>35%</td>
<td>23%</td>
</tr>
<tr>
<td>Adverse media coverage</td>
<td>41</td>
<td>13</td>
<td>54</td>
<td>26%</td>
<td>24%</td>
</tr>
<tr>
<td>Fire</td>
<td>21</td>
<td>30</td>
<td>51</td>
<td>25%</td>
<td>59%</td>
</tr>
<tr>
<td>Failure in service provision by outsourcer</td>
<td>23</td>
<td>20</td>
<td>43</td>
<td>21%</td>
<td>47%</td>
</tr>
<tr>
<td>Transport network disruption</td>
<td>25</td>
<td>13</td>
<td>38</td>
<td>18%</td>
<td>34%</td>
</tr>
<tr>
<td>Loss of talent/skills</td>
<td>33</td>
<td>5</td>
<td>38</td>
<td>18%</td>
<td>13%</td>
</tr>
<tr>
<td>Climate change protesters</td>
<td>18</td>
<td>12</td>
<td>30</td>
<td>14%</td>
<td>40%</td>
</tr>
<tr>
<td>Financial failure of a supplier</td>
<td>16</td>
<td>11</td>
<td>27</td>
<td>13%</td>
<td>41%</td>
</tr>
<tr>
<td>Civil unrest</td>
<td>14</td>
<td>13</td>
<td>27</td>
<td>13%</td>
<td>48%</td>
</tr>
<tr>
<td>Theft of equipment</td>
<td>22</td>
<td>4</td>
<td>26</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Act of terrorism</td>
<td>13</td>
<td>10</td>
<td>23</td>
<td>11%</td>
<td>43%</td>
</tr>
<tr>
<td>Financial fraud</td>
<td>13</td>
<td>8</td>
<td>21</td>
<td>10%</td>
<td>38%</td>
</tr>
<tr>
<td>Industrial dispute</td>
<td>11</td>
<td>9</td>
<td>20</td>
<td>10%</td>
<td>45%</td>
</tr>
<tr>
<td>Change in government or regulatory position</td>
<td>15</td>
<td>5</td>
<td>20</td>
<td>10%</td>
<td>25%</td>
</tr>
<tr>
<td>Animal disease</td>
<td>8</td>
<td>4</td>
<td>12</td>
<td>6%</td>
<td>33%</td>
</tr>
<tr>
<td>Tighter credit insurance conditions</td>
<td>7</td>
<td>3</td>
<td>10</td>
<td>5%</td>
<td>30%</td>
</tr>
<tr>
<td>Product recall</td>
<td>5</td>
<td>4</td>
<td>9</td>
<td>4%</td>
<td>44%</td>
</tr>
<tr>
<td>Employee kidnapped</td>
<td>4</td>
<td>4</td>
<td>8</td>
<td>4%</td>
<td>50%</td>
</tr>
<tr>
<td>Assets seized in foreign country</td>
<td>5</td>
<td>2</td>
<td>7</td>
<td>3%</td>
<td>29%</td>
</tr>
<tr>
<td>Anti-trust investigation</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>2%</td>
<td>60%</td>
</tr>
<tr>
<td>Hostile take-over</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>1%</td>
<td>33%</td>
</tr>
</tbody>
</table>
Investment in BCM expertise

The investment was characterised by those who had received BCM training and might also hold BCM certification. On the question of “how many” expressed in terms of Full Time Equivalents (FTE), the most frequent response was less than five FTEs – overall 63% of respondents employed fewer than five Full Time Equivalents.

We would like to understand the investments being made by organizations in employing/contracting BCM professionals as part of their BCM programme. We understand that some organizations may have a more centralized approach while others are more distributed with “champions” or co-ordinators embedded throughout the organization. These practitioners would be characterized by having received BCM training (not just “awareness briefings”) and may also hold professional BCM certification. Those involved in DR should also be included. With these parameters in mind, how many FTEs do you estimate your organization employs/contracts to perform a recognized BCM programme role (where FTE = full time equivalent, and 1.0 = full time)?

<table>
<thead>
<tr>
<th>FTE Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 FTE</td>
<td>221%</td>
</tr>
<tr>
<td>Less than 5 FTE</td>
<td>40.4%</td>
</tr>
<tr>
<td>Less than 10 FTE</td>
<td>15.9%</td>
</tr>
<tr>
<td>Less than 50 FTE</td>
<td>15.9%</td>
</tr>
<tr>
<td>Less than 100 FTE</td>
<td>5.6%</td>
</tr>
<tr>
<td>More than 100 FTE</td>
<td>2.4%</td>
</tr>
<tr>
<td>More than 100 FTE</td>
<td>0%</td>
</tr>
</tbody>
</table>

Base: 208

BCM programme scope

This question attempted to gauge respondent satisfaction levels with their BCM programme scope. In terms of scope, the questions relate to seven areas of impact that organizations need to consider. While non-availability of IT and of sites and facilities are common elements considered within a BCM programme, we were interested to understand the extent to which other areas were considered such as “people” and “supply chain”. We also added two business areas, “customers” and “finance, i.e. looking to consider over dependency on major customers, and lines of credit.

For the seventh category, we were interested in understanding whether the programmes considered not just the indirect reputational consequences of disruption, but a direct loss of reputation even without operational impact.

To help explain the above chart consider IT & Communications: 51 respondents were very satisfied, 80 were satisfied, 44 were fairly satisfied, 30 were not satisfied, 2 stated that they had not done this and a further 1 said it was not applicable to their organization.

Supply chain clearly stands out as the area when respondents are not satisfied. 63% of respondents stated they were fairly satisfied, not satisfied or had not considered it within the scope of their BCM programme.
BCM programme recognition and effectiveness

A question asked whether senior management had acknowledged that the BCM programme had demonstrably mitigated the impact of any disruption. 81.6% felt the programme did achieve this “absolutely” or “to some extent”. Only 9% felt it did not and another 9% felt it was hard to prove one way or the other, due to the complexity of the situation.

Benefits of BCM to the organization

The most popular benefits articulated by respondents are the trio of “faster recovery after incidents”, “reduced impact of incidents” and “protecting brand/reputation”. With 67% of respondents voting for “better understanding of the organization”, we can see that the benefit of BCM can be felt not just during an incident but that the process itself can be of value to the organization. The results also show that lower insurance premiums or extension of insurance cover are not seen as a benefits of having BCM.
Positive impact of BCM on recovery timescales

The response to this question shows that 56% of BCM programmes enabled organizations to recover in two-thirds-of-the-time, and in many cases in half-of-the-time, when compared to an earlier situation where no BCM programme existed. Given that BCM is applied to time-critical activities then such a saving in time is clearly substantive.

Cost savings and revenue protection with BCM

For 55% of respondents a tangible financial benefit was gained by their organization through the BCM programme. For 48% of respondents the cost impact avoided by the organization was up to US$100,000. For 25% the cost saving was estimated at between US$100,000 and $500,000. 62% saw top line revenue protection up to $500K.
Analysis I

Relationship between disruptive events experienced, number of locations, and employee levels

Events vs locations

Here we compare the number of BCP-invoking events (Y-axis) with the number of sites at the organization (X-axis). For example, in the first column, 58% of respondents with a single location reported that they had not had any disruptions in the last 12 months, 17% had recorded a single event of this nature and 25% had recorded between 2 and 5 of such events.

The graph shows a clear trend that those experiencing zero events falls as the number of sites increases. The next visible trend is that a range of 1-5 events will cover most organizations through to those with more than 1,000 sites where a higher number of events are experienced, however, it should be noted that the sample level at this size of organization was very low.

Events vs number of employees

Although less pronounced than with locations, when a comparison is made between size of organization in terms of number of employees, then the number of disruptive events starts to increase markedly from the 10,000-employee level.

Note comparisons were also made between events and geographical business operations, industry sectors and the adoption of standards, but no clear patterns emerged with the available data sample. An anecdotal observation is that the type of event changes by country or region of operation. Those who had experienced kidnapping, for example, were respondents from countries including Nigeria, Pakistan, Saudi Arabia and South Africa.
BCM investment comparisons
The purpose of these comparisons is to understand whether there are discernable trends in investment levels in BCM expertise. Respondents were asked to estimate the Full Time Equivalent (FTE) levels of BCM expertise based on criteria such as having received BCM training. The purpose of using the FTE scale is that BCM is not always a full-time job for one person and may be part of the job of a number of people. Those in disaster recovery are also included in the numbers.

FTE level vs number of employees
The objective of this comparison is to see whether there are any trends in terms of “density” of BCM trained people and the overall number of employees in the organization. The indications are quite clear that in small and medium sized organizations (up to 250 employees) it is very unlikely to find even a single FTE and there are low levels employed even in large organizations. Certainly less than five FTE is the dominant figure until organizations reach 10,000 employees where the figure changes markedly, however, the sample size at >100,000 employees is small.

It is worth considering that the BCI’s membership is currently 5,000 members and analysis shows they are active in some 2,500 separate organizations around the world. This would support the findings from the survey that BCM expertise is thinly spread.
52% of respondents were not involved in negotiations around Business Interruption (BI) insurance with their organization, 39% did play a role. 94% of overall survey respondents answered this question.

A supplementary question asked what level of discount on premiums might persuade the respondent’s organization to switch insurance provider. The majority of responses were registered in the 5% to 20% range.

Only those who had responded in the affirmative to the question above were then asked to answer the following supplementary questions. Respondents were asked to describe the nature of their discussion around insurance and BCM with their insurers, risk and finance colleagues.

The main response was: “The insurance company was very positive about our BCM programme but that was it” scoring almost 35%. The second highest response was: “We were able to reduce the level of cover due to better understanding and mitigation of our maximum potential loss”.

The main stumbling block to achieving this was the fact that business interruption insurance is often bundled with other insurance products.
BCM standards

83% of respondents completed the question on their organization’s approach to BCM standards. 62.5% stated that they followed recognised codes of practice such as (but not limited to) BS25999-1; 5% stated that they were independently certified against, by way of example, BS25999-2. 33% of respondents had developed an in-house approach.

So for these different approaches were the survey outcomes at variance to each other?

Those following a recognised code of practice were consistently less satisfied than those in the other two groups. Those with certification were extremely confident about the scope of their programmes, although the sample size is very small (9).

It is also interesting to note that those with certification put “protecting brand/reputation” and “maintaining customer confidence” as the two key benefits to the organization of BCM. These benefits featured further down the list for those following codes of practice or in-house approaches. They, instead, favoured “reduced impact of incidents” and “faster recovery after incidents” as the primary benefits of BCM.

When considering the list of 25 threats, those following the code of practice had failed to consider the impact of 10 of these threats, whereas those with an in-house approach had failed to consider the impact of 15 of these threats.

When considering exposure to disruptive events, organizations following a code of practice or an in-house developed approach followed the overall survey trend (i.e. 2-5 events in the last 12 months). Those following an in-house approach did record elevated levels in the 6-10 event category compared with the overall results (15% vs 10%). Those with certification (small sample) actually reported fewer disruptive events than the overall result.

In respect of consultant competency, those following a code of practice are much more aggressive in wanting to see BCI certified consultants (40% see it as a mandatory requirement) and 100% of those with certification would either prefer to hire consultants who are BCI members or would make it a mandatory requirement. For those following an in-house approach, 34% would not see membership of the BCI as a major factor in their decision.

On the insurance questions, with a total sample size of 60, some observations include that those with an in-house developed approach gained by being able to reduce the level of cover required and receive cover in areas of the business previously without cover. For those following codes of practice, 59% reported either that the insurance company was positive but that was the extent of their interest or that the insurance company showed no interest at all.
Survey Responses Part III

BCM consultants
Half of respondents reported that they either have not used or do not use external consultants. For those that do engage consultants they are primarily used for “Exercising, Maintaining and Reviewing”.

Membership of the BCI is an important factor in consultant selection
196 people responded to the question “Where does membership of the BCI fit in selection criteria?” 41% of respondents would prefer to hire consultants who are BCI members and a further 34% would make it a mandatory requirement.

Consultant spend
Spend with consultants over the past year is quite firmly in the sub US$100,000 territory (78% of respondents).

In a supplementary question around client satisfaction with BCM consultants, satisfaction levels were high.
BCM Products & Services

The survey asked respondents to record which products and services were used in their organizations and the level of budget influence that each respondent held.

- 68% have alternative accommodation/recovery sites services
- Over 90% have ICT back-up/DR facilities
- 89% use VPNs
- 72% have Employee Assistance Programmes
- 77% have messaging systems
- 61% use BCM programme management products and services.

Where the above products/services are used, the survey respondents were budget holders or influencers as follows:

- 81% for alternative accommodation
- 59% for ICT back-up/DR
- 47% for VPNs
- 41% for EAPs
- 72% for messaging/notification systems
- 85% for BCM programme management products/services
- 56% for transport services
- 43% for escrow products/services.

Annual spend on these products and services was asked and 32% responded to this question. There was a wide range of pricing even when considering parameters such as number of locations or employees.

Alternative accommodation prices ranged from $20K to $8M; DR prices ranged from $100K to $15M; VPN investments ranged from $18K to $1M; messaging systems from $1K to $500K; EAP (HR budget) from $10K to $500K; and BCM programme management products from $15K to $1.2M.
Analysis II

Analysis by Primary Activity

Based on the respondent data received, five sectors have sufficient levels of response to lend themselves to comparison. These sectors are Financial Services, IT & Communications, Government, Professional Services and Manufacturing.

There are some general observations to make:

- There was no sector bias in terms of experiencing disruptive events.

- Of the five sectors compared, 70% of those in Financial Services, Government, Manufacturing and IT employed more than 1,000 people; whereas for respondents in the Professional Services sector, 67% employed less than 50 people.

- Only 47% of IT & Communications sector respondents had UK operations. In the Manufacturing sector, operations were equally balanced across Asia, UK and Continental Europe.

The comparison to the overall survey results is made across five areas:

1. Scope of the BCM programme
2. Investment in BCM expertise
3. Benefits of BCM to the organization
4. Impact of any disruptive events experienced
5. Use of consultants

Finance sector

- This sector overwhelmingly sees the main benefit of BCM in meeting regulatory compliance needs which scored 83% (53 out of 64 respondents).
- This sector invests in more BCM trained people. 50% employ more than five FTEs.
- In this sector only 35% stated they were satisfied or very satisfied with supply chain in their BCM programme.
- In this sector the primary impact of disruption, by a wide margin, was “loss of productivity” scoring 80%. The main positive outcome of dealing with a disruption was increased staff morale scoring 37%.

IT & Communications

- This sector lags far behind the other sectors in terms of satisfaction levels with BCM programme scope. In relation to their own IT and communications arrangements just 35.3% are satisfied or very satisfied. 29.4% are not satisfied. Likewise with sites and facilities, only 17.7% were satisfied or very satisfied with their BCM plans in these areas. BCM programmes are less likely to consider the impact of an absence of people with only 41.2% in these categories stating they were satisfied or very satisfied. For supply chain 53% were not satisfied with their BCM arrangements.
- The main impacts experienced from disruption are “loss of revenue” which top-scored with 54% along with “impaired service outcome”. On the positive side, “positive customer feedback” and “increased staff morale” scored highest.
- In terms of the main benefits of BCM to the organization, “maintaining customer confidence” top-scored with 88% followed by “reduced impact of incidents” with 76.5%.

Manufacturing

- The main benefits of BCM are “faster recovery” and “increased customer confidence” with 79% of respondents registering these benefits. This sector also recorded the highest levels of agreement with the statement: “lower insurance premiums/cover extended” due to BCM at 36%.
- The main impact of disruption in this sector is increased cost of working (i.e. overtime costs to recover lost production time) with 44%. However, none of the respondents could identify any positive outcomes from the way they dealt with a disruption.
- In terms of satisfaction levels with their BCM programme scope, this sector scored high with 78.6% satisfied or very satisfied with their IT and communications arrangements. However, on people issues this sector was well behind the others with only 35.7% stating satisfied or very satisfied.
- Manufacturing tends to invest less in BCM expertise with 79% of respondents employing less than five FTEs.
**Professional Services**

- Supply chain considerations in BCM programmes were considered much less relevant in this sector compared to other sectors. Professional Services was the sector that had the highest level of “not applicable” with 29.4% choosing this option in relation to supply chain.

- In terms of IT and communications 76.5% of Professional Services sector respondents were satisfied or very satisfied.

- The main BCM benefit is, “maintaining customer confidence” top scoring with 83%. Interestingly, “better understanding of the organization” scored just 39%, the lowest response rate of any sector by a distance.

- The main impact of disruption was “increased cost of working” scoring 42% and the main positive impact of dealing with a disruption well was “positive customer feedback”.

- In this sector over 50% employ less than 1 FTE but this may well reflect the small-size profile of the responding organizations.

- Professional Services is the sector least likely to use external consultants, 94% do not.

**Government**

- Government is the sector most inclined to use consultants with 62% choosing to do so. The focus is on exercise, maintenance and review and respondents spent up to $250,000; however only 35% were “very satisfied” with the consultants they engaged.

- For this sector the main impact was “impaired service outcome” with 44%. The most positive outcome was “favourable media coverage”, chosen by 39%.

- In terms of benefits to the organization, the first choice was “reduced impact of incidents” scoring 90% (28 out of 31 respondents). This was followed by “better understanding of the organization” scoring 87%, which is the highest level for this benefit of any sector tested.

- In the government sector only 30% were not satisfied with supply chain.
Analysis by geography

Comparisons have been made between different geographical regions against the overall survey response.

Organizations with operations in Africa, Central & Latin America (CALA) and the Middle East

- 21% of respondents had operations in Africa
- 22% in CALA
- 26% in the Middle East

In these regions the impact of swine flu caused higher levels of BCP invocation. It was also one of the threats whose impact was less considered in the BCP.

Changes in government had a bigger impact in CALA and the Middle East.

Transport and energy threats tend to cause BCP invocations more frequently than the average response.

Three other threats caused higher levels of invocation: failure by outsourcers, product recalls and climate change protesters.

Organizations with operations in these regions scored higher in terms of stating they experienced more BCP-invoking events than the average. Respondents were also more conservative in estimating the impact that their BCM programme had on recovery times. Organizations with operations in CALA were also the most relaxed about consultants being members of the BCI.

Organizations with operations in Asia, Australasia, Continental Europe and North America

All regions had much higher levels of not including “financial failure of a supplier” in their BCM programmes. Asia, Europe and North America also have very high levels of not including the impact of “animal disease” in their planning. All of these regions are above the average figure on reporting two to five incidents in the past year.

Some regional differences appeared in the use of consultants. Australasia was much more inclined to use consultants (60%) whereas Continental Europe was less inclined (43%).

There are some interesting differences on business interruption insurance: 32% of companies with Asian operations reported reduced premiums against BCPs compared to the average response of 22%.

Asia, North America and Continental Europe were also much stronger in declaring that they were able to reduce the level of insurance cover required due to a better understanding and mitigation of their maximum potential loss scoring 40%, 46% and 41% respectively compared with 30% average for the overall survey sample. Again, those with Asian operations found they could receive cover in areas of their business that had previously been refused cover (12% vs average of 6%).

Insurance companies demonstrated greater interest in BCM programmes in Asia and North America. It should also be noted that self-insurance levels were also much higher in all of these regions.

UK

Given the higher density of responses from the UK, we are able to look more deeply into a comparison with the overall result.

- 136/221 respondents had UK operations; 56/221 only had UK operations. 37 of these were public sector, 18 private sector, and 1 third sector.
- UK employed fewer trained people to work on BCM programmes (76% employed less than 5 FTE vs 63% in the total).
- Supply chain resilience is seen as the area of real concern – only 20% were satisfied or very satisfied that their BCM programme had effective supply chain disruption measures.
- The UK was more badly affected by financial failure of suppliers (as measured by the need to invoke a BCP).
- Swine flu was experienced by almost all respondents (i.e. above the international average) but the impact was much lower. This may suggest the UK was better prepared.
- UK respondents were more bullish on the benefit of BCM programmes with 75% stating at least 2/3rd’s faster recovery compared with overall sample level of 64%.
- UK respondents also had less tangible gains from discussions with insurance companies than the overall response levels.
**Grade of BCI membership**

The share of overall responses can be seen in the chart below. In terms of representation from the BCI’s membership:

- 6.9% of FBCIs responded
- 5.9% of MBCIs
- 4.6% of AMBCIs
- 3% of SBCI
- 7% of student members
- 2% of affiliate members

12% of the overall response count were non-BCI members but nonetheless BCM practitioners. A further 5% designated themselves as “other.”

**Reporting lines**

The response to this question revealed that 26% of respondents reported directly to a CEO or Managing Director. The next most popular was the COO or Operations Director with 19%, followed by CIO or Technical Director with 14% along with Chief Risk Officer - with CFO or Finance Director fifth place with 13%.
Almost 66% of respondents were from the private sector with 31% from the public/state sector and less than 4% from the 3rd sector (not for profit).

The UK has the highest level of public/state sector representation in the survey. The next highest proportion of public sector responding organizations is in Australia followed by North America and Europe. This probably reflects the legislative drive in the UK for local authorities/municipalities to have BCM programmes in place.

1,000 to 5,000 employees is the most common band. In fact, 63% of responding organizations employed between 1,000 and 50,000 people.
**Number of locations**

Although the highest count was recorded against 2-5 locations, the respondents covered a wide range of sizes.

**Business operations**

194 respondents recorded the geographical scope of their business operations. Multiple responses are naturally allowed. Respondents with UK operations dominate the overall results, however 55% of respondents had regional business operations and 45% had global operations.

Going into more detail, 69 respondents were Europe only (including the UK), 12 were North America only, 10 Australasia only, 5 Africa only, 4 Asia only, 3 Middle East only and 2 CALA only. 87 were active in more than one region and 25 were active in every region.
Primary activity
(based on Standard Industrial Classification codes)

Responding organizations are dominated by two sectors – Financial Services and Government with Professional Services and IT and Communications in third and fourth place. This is explained by wide-spread regulation in the Financial Services sector and legislation for local authorities/municipalities and first responders in the UK.

Base: 178
Conclusions & Reflection

The findings from this survey offer both reassurance and the promise of a healthy future for BCM practitioners, especially where BCM is allowed to bring value to an organization beyond its traditional confines in IT and telecom.

Reassurance in that the main advantages of BCM are confirmed as “reduced impact of incidents” and “faster recovery from incidents” and encouraging in seeing “protecting reputation” and “better understanding of the organization” as the key benefits.

It is very encouraging to see the high number of respondents who were able to put tangible figures on the difference that their BCM programmes made in terms of faster recovery times and in either saving money or protecting revenue streams.

The high levels of incidents reported in the year show that BCM is being more widely applied to more frequently occurring events. BCM is no longer the exclusive preserve of 1-in-20-year type events.

The changing profile of respondents is also encouraging with those reporting through IT management comprising less than a third of respondents, and many are reporting directly to the Managing Director or CEO. This trend is also matched by a good geographical spread of respondents and good cover of different industry sectors. It is also noted that BCM managers have influence over significant budgets.

The key messages from this survey are positive and all those interested in the furtherance of BCM as a key management discipline should communicate these positive messages to those who are still be convinced.

If, however, you read this report and it seems “a foreign land” compared with your own BCM experiences, please get in touch and share your views.

Next Steps

The messages from this survey are positive and all those interested in the furtherance of BCM as a key management discipline should communicate these positive messages to those who are still be convinced.

The survey does nonetheless throw up a number of issues that the BCI will pursue:

- Business or market events are being recorded and considered in some BCM programmes.
- More detailed discussion around metrics and working with organizations in greater detail to test out the survey findings.
- More work is required on “what is the right level” of FTEs and what do we really mean by “embedded in the organization”.
- More research is required on the effectiveness of BCM in dealing with business or market event disruptions.
- We think that insurance needs to become a bigger driver of BCM adoption and will develop this link further with the insurance industry.
- While the UK public (state) sector has embraced BCM, the low level of response from other countries suggests that more could be done to persuade government of the benefits of BCM programmes in the delivery of public services.
About BCM

Business Continuity Management (BCM) identifies potential threats to an organization and the impacts to business operations that those threats, if realized, might cause. It provides a framework for building organizational resilience with the capability for an effective response that safeguards the interests of key stakeholders, reputation, brand and value-creating activities.

About the Business Continuity Institute

Based in Caversham, United Kingdom, the Business Continuity Institute (BCI) was established in 1994 to promote the art and science of business continuity management and to assist organizations in preparing for and surviving minor and large-scale man-made and natural disasters. The Institute enables members to obtain guidance and support from their fellow practitioners, as well as offers professional training and certification programmes to disseminate and validate the highest standards of competence and ethics. It has over 5,000 members in 90 countries active in an estimated 2,500 organizations in private, public and third sectors. For more information go to: www.thebci.org

The BCI Partnership, established in 2007, offers corporate membership of the BCI with over 70 member organizations including BAE Systems, BP, BSi Group, BT, Community Resilience, ContinuitySA, DNV, Continuity Shop, EADS, Garrison Continuity, HP, Link Associates, Lloyds Banking Group, Lockheed Martin, Marsh, Milton Keynes Council, Prudential, PwC, Royal Mail, SunGard, Vocalink, and Zurich. To join as a corporate member, go to: www.bcpartnership.com

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Appendix A: Written Comments

Reporting Lines
(where not offered in the survey)

- Director, Finance Administration and IT
- Director of Finance & Corporate Governance
- Strategy & Planning
- Managing Partner
- SVP Service Platforms
- Vice Chancellor / University Secretary & Registrar
- Audit committee / Committee for operational risk and compliance.
- Facilities Director
- VP, Quality
- Director Corporate Banking
- Deputy Chief Constable / Assistant Chief Constable.
- Chief Security Officer
- Group HSEQ Director
- Chief of Corporate Services

Benefits of BCM

- Maintaining board, senior management, stakeholder confidence
- Identification of business improvements
- Providing competitive advantage
- Enhancing business as usual operational performance
- Cross-business team building opportunity
- Improved desire to develop solutions to improve resilience in business as usual operations.
- Eliminate causes of potential incidents, where probables (sic) are within our control; prevention of major incidents wherever possible.
- BCM programmes have forced IT best practice to be adopted.
- Improved procedures and understanding of business processes at all levels.
- Better strategic alignment with risk appetite and performance.
- Greatly reduced factory downtime.

Frequency of BCP invoking events

One comment made related to the number of incidents experienced: The respondent felt the question should not have restricted itself to a 12-month period but should have considered a longer period, e.g. 10 years, as BCM is looking at low probability, high impact events. There was a feeling that most of the listed events would have occurred over such a timeframe. Another made the comment that they had not activated their plan in more than five years.

Have you found a good set of metrics to measure the value of BCM?

- Highlighting potential share of revenue at risk for each key site.
- Value per hour of lost revenue of downtime (staff costs paid with no productivity)
- In financial services: reducing the level of capital held against operational risk and lower insurance requirement.
- “I have used King v.2 and v.3 to show the management team it’s the correct thing to do”
- Duty of care/corporate manslaughter

However the most frequent comment was: “still working on this”.

Products and Services

In addition to the products and services listed, respondents noted these additional items:

- Telephone re-routing service
- Salvage contracts
- Incident management system

BCM Standards

Other standards/codes of practice mentioned in addition to BS25999:

- FFIEC BC Planning Examination handbook
- AS/NZS 5050
- NFPA 1600
- JAS ANZ
- Australia Prudential Regulatory Authority 232 Series