

Risk Consulting Practice

MARSH

 MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

# The Upside to business continuity

Marsh's european business continuity  
benchmarking report



# Executive summary

In February 2008, Marsh undertook the first European wide Business Continuity Management (BCM) survey. We designed this survey to measure the acceptance and alignment of BCM, as well as to identify key trends and correlations in its application.

The overall results are positive, showing that most firms have moved on from where they were two years ago. There is now almost a unanimous acceptance of the necessity of BCM. Most firms are not viewing BCM as a compliance or insurance related issue, but as a good practice to manage their overall operational risk management challenges. This shows progress from when firms were just accepted the necessity of BCM for recovering business processes, without seeing the potential upsides related to it. This has also led to some firms expecting to see operational benefits from their BCM programmes, in addition to the protection they provide.

This maturing view of BCM is allowing companies to get more benefits out of the work they are putting in, specifically a better understanding of their business and improving operational decision-making. The results do however show a discrepancy between where firms perceive their BCM maturity to be and where it actually is. This can be seen as positive, as it demonstrates how a firm's perception of what BCM can encompass is changing for the better. However, it is important that firms realise more of the potential upsides available if they take BCM to the next level in their organisation.

A more mature and integrated BCM approach can yield significant advantages to organisations, not just through risk mitigation but also through improved strategic decision-making. We believe that many businesses now understand the current operational value of BCM and are starting to focus on the strategic upside. The table opposite describes how we believe the focus to be changing:

**Martin Caddick**  
Leader, Business Continuity Practice

**Jack Armstrong**  
Consultant

Current Operational Focus	Strategic Upside Focus
Use BCM to analyse direct supplier relationships.	Use BCM to analyse entire supplier network. <b>Upside</b> – may spot key at-risk, interdependencies and new strategic options.
Use BCM to manage business recovery following physical losses.	Use BCM as an integral part of the whole risk management programme including reputation management caused by non physical incidents. <b>Upside</b> – potential cost saving from an integrated solution. Focus on brand and reputation management.
Use BCM to identify key threats to business.	Use BCM to identify changes that represent both threats and opportunities for key business processes. <b>Upside</b> – better allocation of resources to key processes and focus on competitive advantage.
Align to BS 25999 for regulatory reasons, following best practice.	Gain full accreditation to BS 25999. <b>Upside</b> – Improved risk management and resilience throughout organisation that provides assurance to stakeholders and potential competitive advantage.
Better understanding of your business.	Use BCM as an important input when making strategic decisions regarding change management processes. <b>Upside</b> – risk should be a key component of all decisions, as this will offset future risks (improved risk intelligent decision making).

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# Methodology

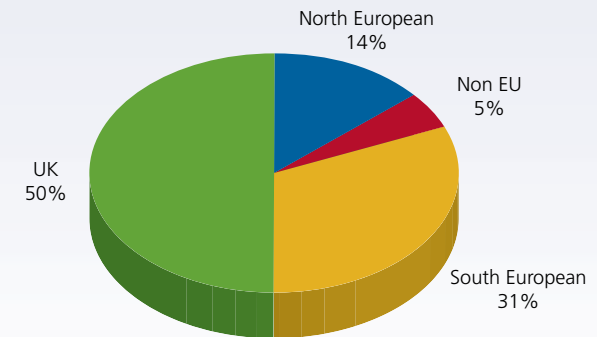
This survey was designed by Marsh BCM experts who then solicited the views of Business Continuity and Risk Managers through a web based survey to gauge their perceptions on issues relating to BCM. These professionals were drawn from delegates of the Business Continuity Expo, which is being held on the 2nd and 3rd of April 2008. The survey was open from the beginning of February until mid March 2008. Marsh would also like to thank BSI clients and members of London First for participating in this survey.

Our report analyses the data yielded from the survey, looking at the significance of the response from each individual question. In addition, this report examines correlations between responses in an attempt to draw conclusions about the BCM market in general. Where appropriate, Marsh knowledge and expertise is utilised to help extrapolate conclusions from the data.

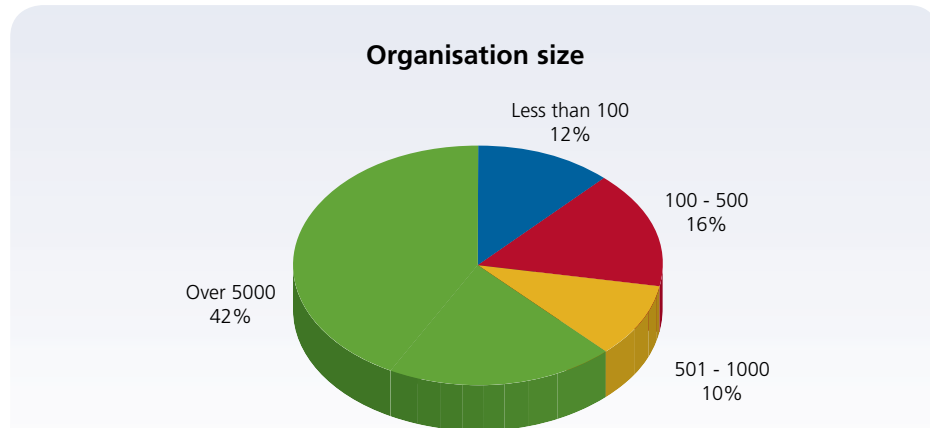
Throughout the report, the two main industry groups used for comparison are Financial Services and Manufacturing. Both of these industries are quite distinctive yet operate under different parameters. They also received a similar number of responses, which allowed for good correlations to be drawn from the data.

Responses to the survey came from a wide array of countries, with a large bias (50%) from the UK. The bias is largely due to the extra responses from BSI clients and members of London First. There were also a few (5%) responses from outside the EU, although this should not be enough to skew the results.

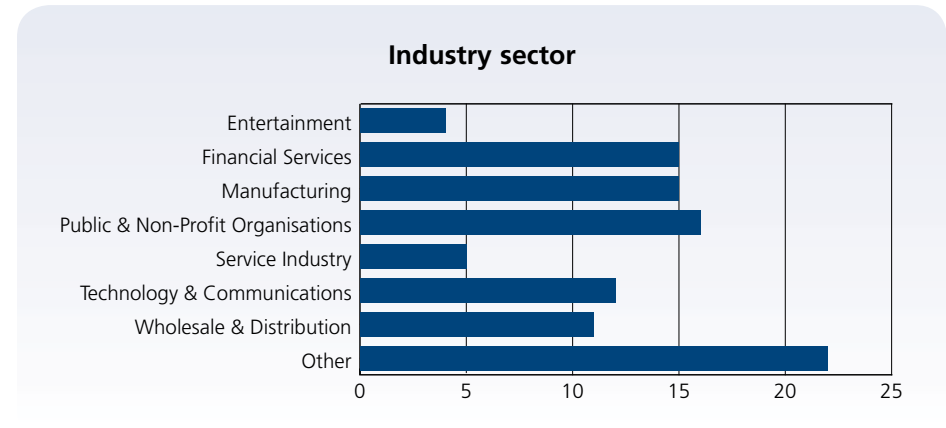
Survey territory split



# Respondent details

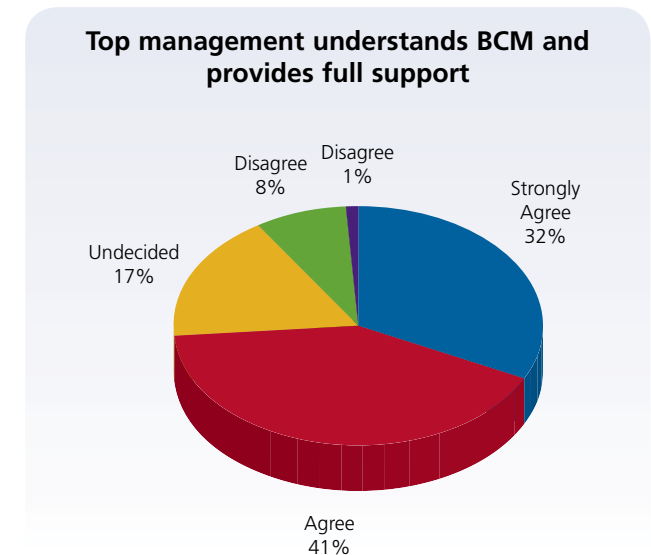
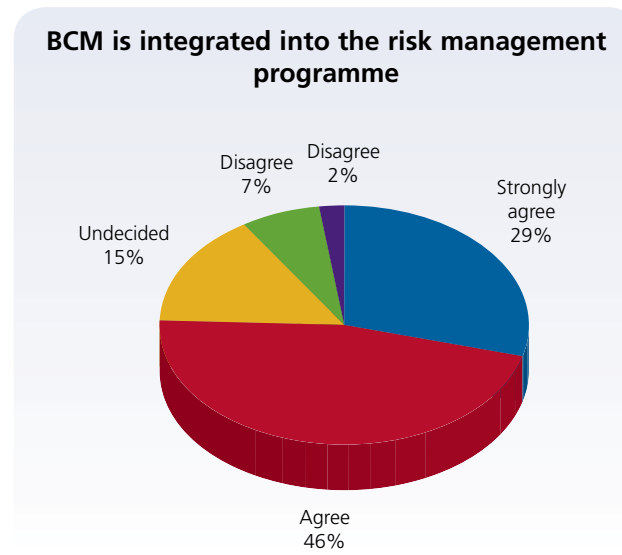
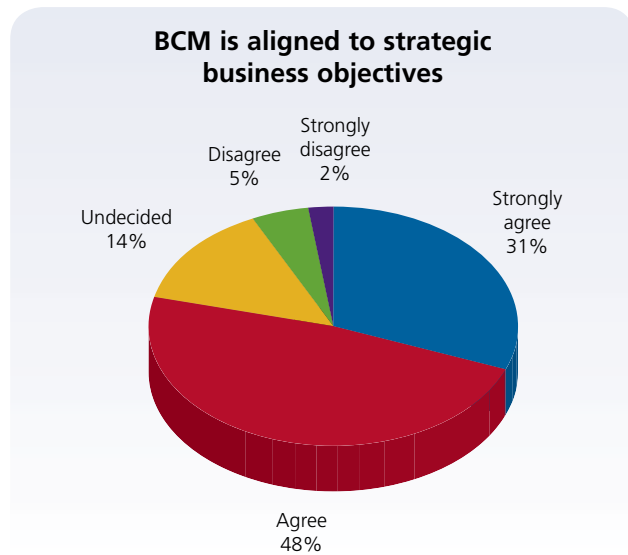


Respondents from the survey showed a bias towards companies with over 1,000 employees (62%), whilst only a minority (12%) from companies smaller than 100 people. These results are indicative of prevalent market conditions, where BCM is more likely to be an issue in larger firms. This is due to not only awareness of the necessity of BCM, but also the economies of scale and the ability to take a longer-term financial position enjoyed by larger companies.



The survey shows responses from a wide array of industries. The largest responses were from Public & Non-Profit Organisations (16%), Financial Services (15%) and Manufacturing (15%). This skew is likely to be caused by the awareness generated from regulation and the impact of real events in these industries. These industry groups also represent approximately 25% of the companies with over 5,000 employees, further explaining their heightened awareness of BCM.

# BCM maturity



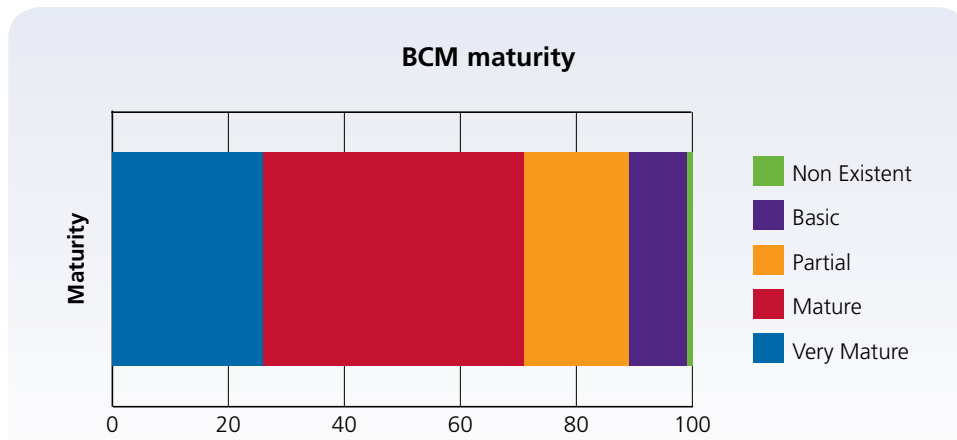
The first three questions in the survey examined firms' perceptions of their own levels of BCM maturity. This explores whether BCM is seen just as a tick in a regulatory/insurance box, or whether it is used by management to improve their business.

79% of respondents said that their BCM is aligned to their strategic business objectives, with only 7% disagreeing. This is a positive response as it shows that BCM is now more linked to company's strategy.

Similarly, 75% of respondents thought that BCM was integrated into their risk management programme, with only 9% disagreeing. This shows that companies are taking a more holistic approach to risk management and are viewing BCM as a component part, rather than a stand-alone measure.

73% of respondents also thought that top management understands BCM and provides full support, with only 9% saying they do not. Again, this is a positive response - without senior management support, it is very hard to achieve anything.

These three questions can be grouped to reflect the perceived level of BCM maturity within an organisation by mapping the responses to Marsh's maturity model. This rates firms between 1-5, with a level 5 being 'Optimised BCM' and a level 1 being 'Underdeveloped BCM'. Where an organisation is on that scale represents where BCM is within the organisation; whether it is part of the culture; is it fully integrated into the overall risk management programme and whether its management uses it as a strategic tool.



Overall, this shows that 70% of respondents believe their organisation to be towards the later stages of the maturity model. This is a very positive result as it indicates that BCM is moving away from a regulatory compliance and insurance role and towards use as a strategic tool.

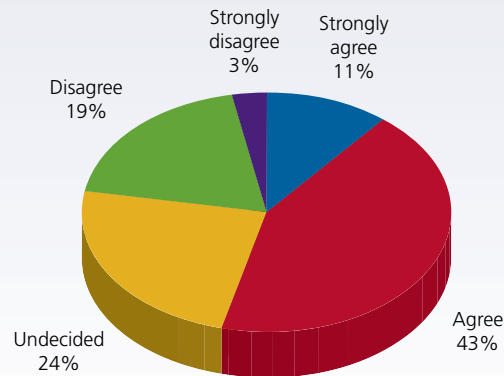
However, our experience of rating organisations would suggest that the 70% of respondents who believe their organisation to be mature or very mature (4-5) are being optimistic. This is supported by further evidence within the survey, such as that only 51% of respondents use BCM as a strategic tool. We believe that many businesses overrate their own level of BCM and their perceptions do not match the reality.

The upside to this however is that more organisations are aspiring to a view of BCM as part of an integrated approach to risk, even if their implementation has yet to catch up.



# Supply chain risks

**BCM covers supply chain risk**

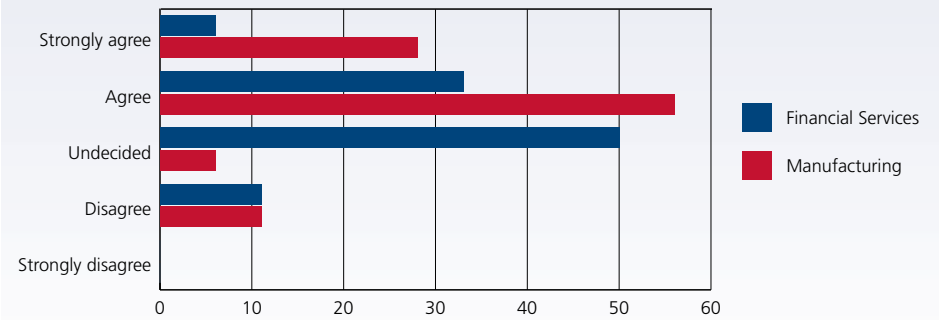


This question looks at whether firms are using BCM strategies to offset their supply chain risk. As supply chains have extended, especially into the Far East, the nature of disruption and vulnerability in the risk landscape has changed significantly. Embracing BCM to help manage supply chain risk is a key part of BCM maturity

54% of respondents agreed that their BCM plan covers their supply chain risks, with only 22% saying that it definitely did not. 24% of respondents were unsure.

The fact that the positive response to this question is 16% lower than the positive responses to the questions on maturity supports our view that many respondents are overrating their level of BCM.

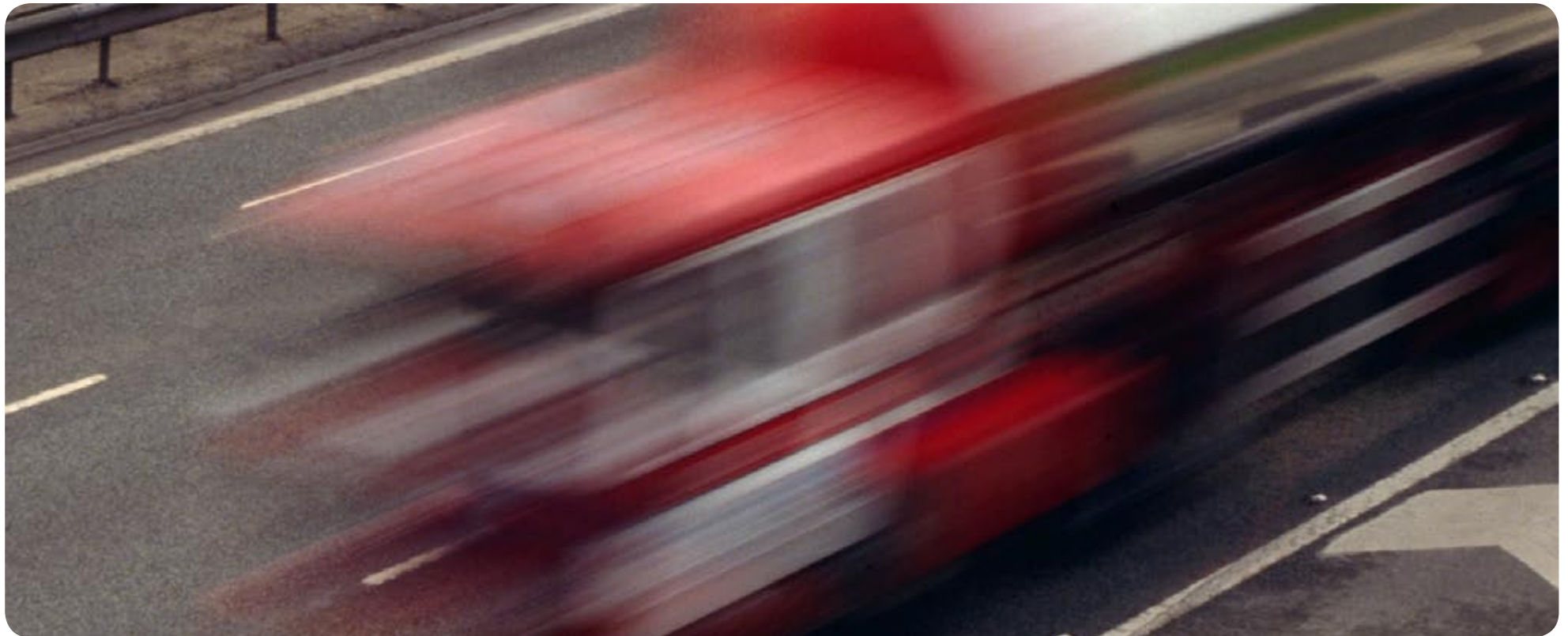
**Supply chain analysis**



Further analysis of the data shows differences between Manufacturing and Financial Services responses. In the Manufacturing industry, 83% of respondents agreed, whereas in Financial Services only 38% of respondents agreed and 11% disagreed. These results are likely to demonstrate the more obvious nature of physical supply chain risks that apply to manufacturing firms. In Financial Services, only the cutting edge of firms realise how important and vulnerable their supply chain can be.

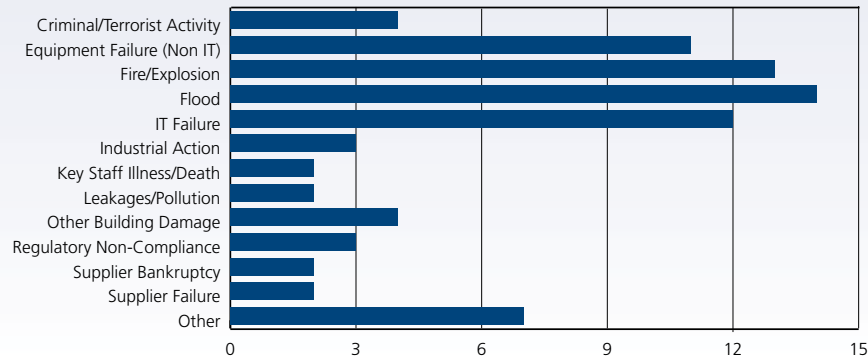
Whilst these results are encouraging, the service sector needs to avoid the perception that supply chain issues are the remit of manufacturing industries alone. Service firms, especially businesses in Financial Services, can be equally at risk, if not more so. The supply chain network in the finance sector consists of a network of other Financial Services, in contrast to the more linear supply chains of manufacturing firms. We can see the impact of the inter-dependencies occurring in the world today with the current credit crisis. The domino effect when these firms cannot supply each other with capital could have far-reaching effects in the financial and business world.

As firms advance along the maturity model, they start to realise the exposures they have and the potential upside from managing these risks. The upside can also be that if firms start to analyse their supply chain in more detail they have the potential to find new strategic options, as well as managing their risks more efficiently.



# Incidents and losses

**Business suffered major loss in last 2 years**



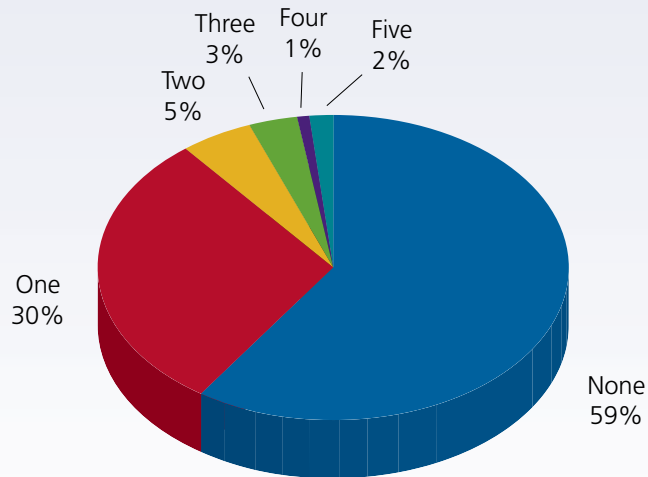
This question explores what sort of events have led to major losses in the last two years. Understanding the answers will help businesses ensure that their plans do cover the main risks.

Major losses are most frequently caused by floods, reported by 14% of respondents, with fire/explosion second at 13% and IT failure third at 12%. The lowest incidence events were supplier bankruptcy, key staff illness/death and leakages/pollution, all of which came in at under 2%.

These results are somewhat subjective as people may have different opinions of what a major loss is. There is a much higher percentage of physical losses (72%), as opposed to the non-physical ones (19%). This could be representative of an overall higher frequency of these types of losses; or that risk and BCM teams are more focused on physical losses; or simply that it is easier to quantify a major physical loss.

The high number of losses caused by floods is likely due to the large number of floods around the Europe over the past two years. This has displaced IT as the previous highest cause of business loss, although IT remains a pertinent issue.

**Incidents in last 2 years**



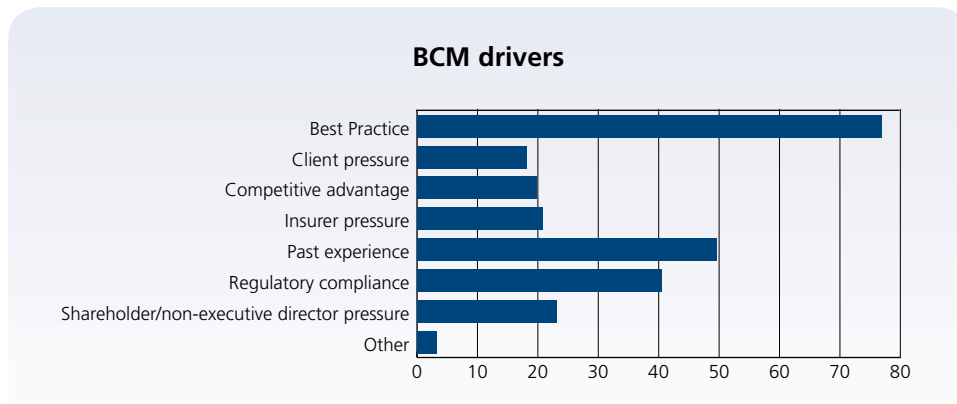
The overall incident frequency across all respondents shows that 41% of all firms have had at least one incident in the past 2 years, with 11% of firms having had more than one. We note that elsewhere in this survey 49% of respondents cited “Past Experience” as a major driver for BCM; this corresponds with the 41% that have had an incident over the past 2 years.

Further analysis of this data shows that larger firms show the greatest number of incidents, with firms over 5,000 employees having a 75% chance per year of a major loss. This is due to their size and spread of operations, increasing the scope of threats and vulnerabilities.

Firms with under 100 staff have a 10% chance of suffering a major loss every 2 years. This size of firm is generally less likely to invest in BCM strategies, with the main reasons being; 57% say lack of time; 21% lack of resource and 14% lack of budget.

Given that apparently 40% of small/medium enterprises (SMEs) fail within 3 years, the relative lack of interest in BCM amongst small businesses is perhaps not surprising. However, SMEs could use BCM to identify their key priorities and the resources required to support them: the understanding gained by doing so should make them less likely to be one of the 40% who fail. In addition, having a BCM in place will enable them to respond faster and in a more flexible way to the changed situation. Being prepared can create a competitive advantage.

# BCM drivers

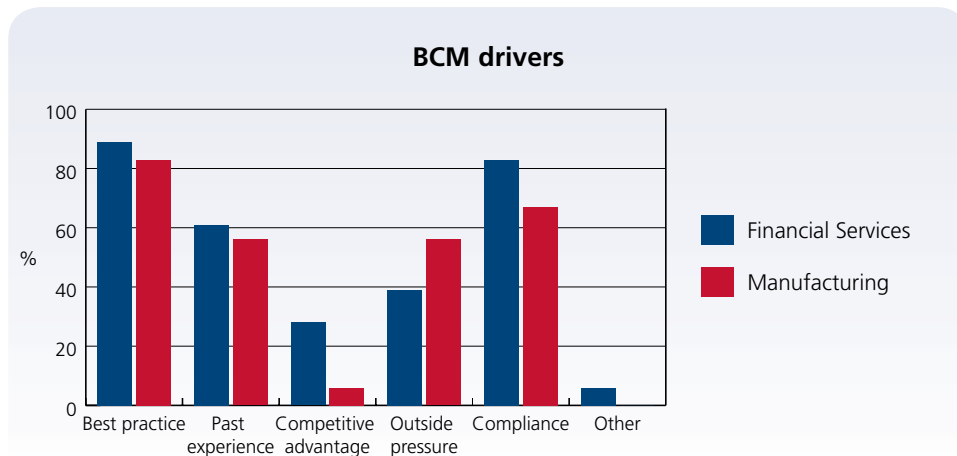


With this question, we were seeking to understand what the main drivers are that cause organisations to launch their BCM programmes. This is important in order to ensure that the programme objectives and the benefits obtained are aligned to those drivers.

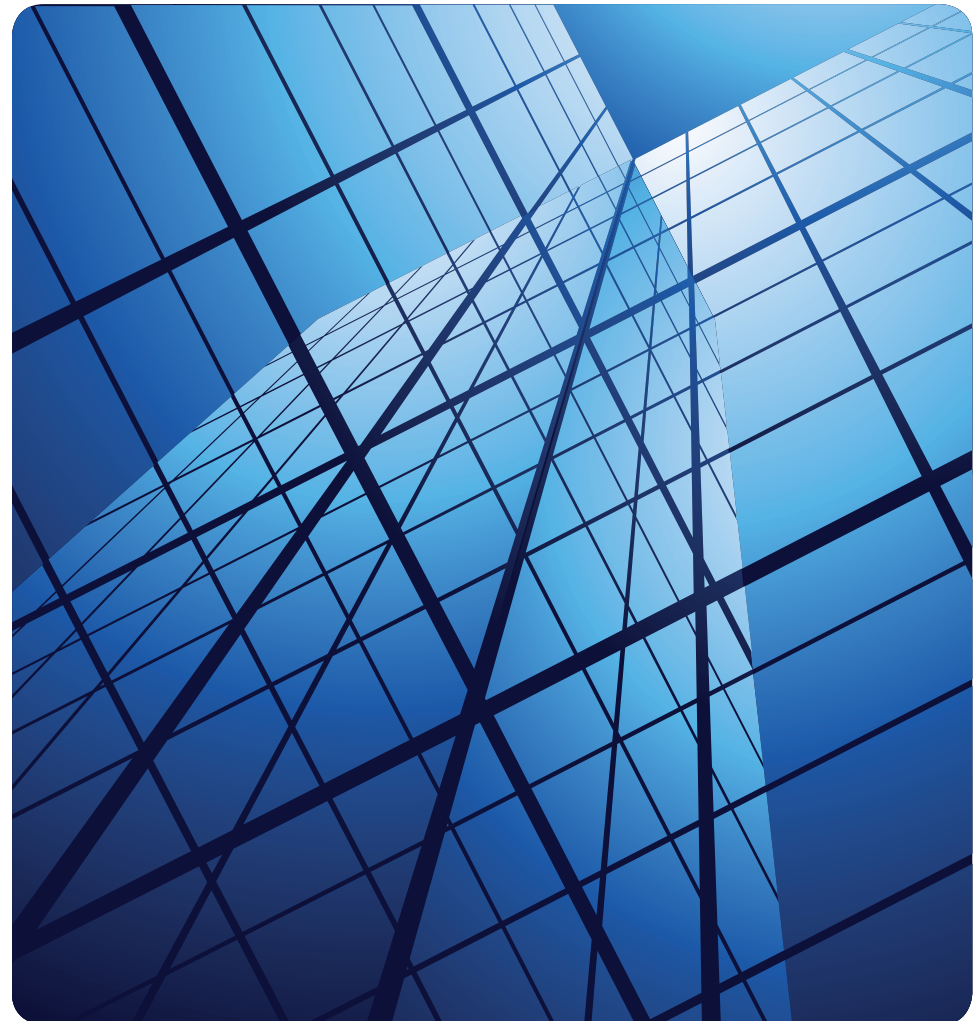
Analysis of the top BCM drivers shows that best practice is by far the highest with 77% of respondents saying that this encouraged them to implement BCM programmes. The other main drivers are past experience (50%) and regulatory compliance (41%). The smallest drivers are client pressure (18%), competitive advantage (20%) and insurer pressure (21%).

A large number of firms cited having a past experience as a strong driver; this shows that having suffered a major incident is a strong motivator for instigating a BCM programme. This may also demonstrate that the past experience was not dealt with satisfactorily. Other strong drivers are compliance (insurer pressure and regulatory compliance) and outside pressures (client pressure and shareholders/non-exec directors).

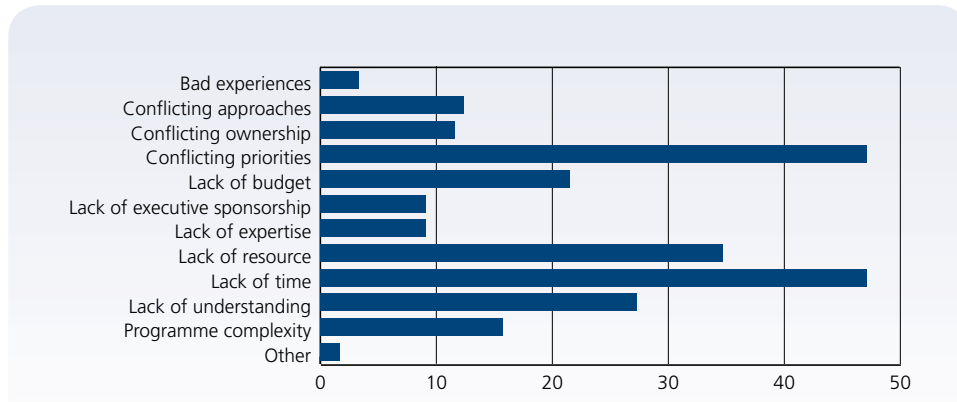
77% of firms also cited best practice, although it is hard to define exactly what firms mean by this. We can hypothesise that 'best practice' is implementing BCM, as it is 'the right thing to do'. The strength of this driver may be due to the type of respondent to the survey, most of whom are likely to be middle management. Best practice can be viewed as a middle management driver, with a focus on improving upon current processes. This contrasts to top management whose focus is more around strategic direction, and whose drivers relate to that or to external pressures.



Further analysis of different industries shows the different priorities that Manufacturing and Financial Services have. Manufacturing drivers are fairly evenly spread between compliance (67%), outside pressures (56%), past experience (56%) and best practice (83%). Financial Services also see BCM as a source of competitive advantage (28%) and have a much higher motivator in compliance (no doubt due to Financial Services Authority regulation) as opposed to other outside pressures.



# Barriers to BCM



In planning a BCM programme, it helps to be able to anticipate and pre-handle any of the potential barriers to success. This question identifies the barriers that organisations have encountered in real life.

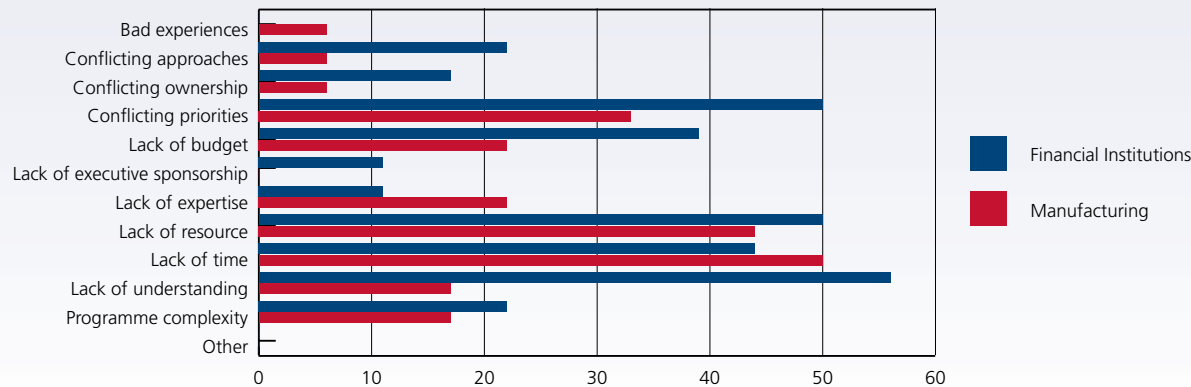
The main barriers to BCM are seen as a lack of time (47%) and conflicting priorities (47%). Other important barriers are a lack of resources (35%), a lack of understanding (27%) and lack of budget (22%). The smallest barriers are bad experiences (3%), lack of expertise (9%) and lack of executive sponsorship (9%).

These results are representative of how firms still view BCM as an additional service, rather than intrinsic to their culture and strategy. This is in contrast to firm's perception of how mature they thought their BCM programme was.

On a positive note, only 3% of respondents cited bad experiences as a problem with BCM and results were low for a lack of expertise or executive sponsorship.

The conclusion we draw is that the barriers to BCM do not lie in a lack of direction or general 'good intent'. The barriers are more related to a lack of understanding of the level of resource and commitment required to do the job properly. This is a matter of BCM maturity, and is further reinforcement of the view that the perceived maturity does not match the reality.

### Industry barriers to BCM

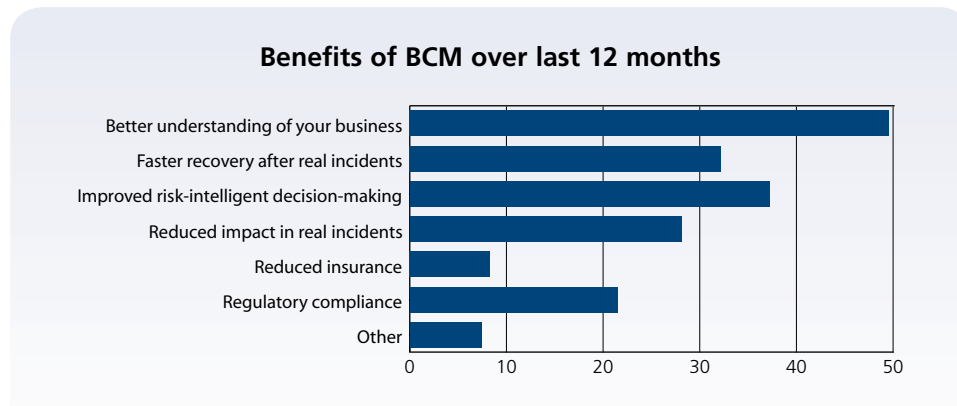


Contrasting the two of the biggest industry sectors shows some interesting results.

The largest barriers to Manufacturing firms are conflicting priorities, lack of resources and lack of time. This demonstrates that whilst they are committed to implementing BCM, they do not yet understand what is needed to implement it, and do not see it is integrated into their strategic culture.

In Financial Services, there is a larger spread of barriers, with a lack of understanding being the highest. This links with other barriers such as programme complexity, conflicting ownership and conflicting approaches. We believe that Financial Services are starting to take BCM to the next level of maturity and integrate it into their culture and strategic decisions – but are having problems implementing the change.

# Benefits of BCM



This question identifies the actual benefits of BCM reported by clients. Understanding these will justify expenditure on BCM and will help set expectations accurately. The benefits should also align to the drivers.

The main benefit of having a BCM plan is, of course, to ensure that your company is prepared should an incident occur. 32% of respondents were able to point to faster recovery after real incidents as a benefit. In addition to this preparedness, 96% of firms found at least one other benefit to implementing a BCM programme, with 52% of firms finding two or more.

This shows that although BCM's primary role may be help organisations recover from an incident, it has many other peripheral benefits. These are often harder to quantify, but they do help to justify the cost of a BCM Programme, and the benefits need to be anticipated so that their realisation can be managed.

There is not a clear link between drivers and the benefits reported. BCM programmes appear to start in response to the perceived need that it is something 'we ought to do something about', but end up delivering a set of benefits related to decision making.

Over the last 12 months 50% of respondents found that they had a better understanding of their business, and 37% found they had improved their risk-intelligent decision making.

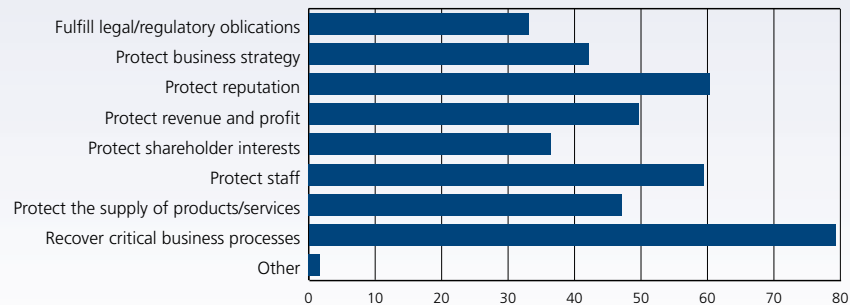
These benefits can yield huge benefits to business, even if they are hard to use as tangible, up-front, advantages to justify investment. The fact that 37% of respondents believe that their strategic decision-making has improved because they had a BCM Programme is very encouraging.

Given that the overall goal of risk management is to manage your risks effectively and efficiently, the risk management measures you have already have in place should work alongside your BCM programme. A better understanding of your business and better risk-intelligent decision making will improve the effectiveness of the overall risk management and resilience strategies. This can potentially lead to a better return from the investment in these areas.

These results all link back to the maturity model, with more mature firms utilising BCM as a strategic tool to gain these extra benefits. Although seen as intangible and hard to measure, they can only improve the resilience, thus bottom line, of a business. This confirms Marsh's opinion that BCM is not just a risk mitigation and control tool – but also adds value and creates an upside to your business.

# BCM plan purpose

**BCM specifically designed to**



This is an important area as it shows what organisations specifically designed their plans to achieve, especially in terms of what is being protected.

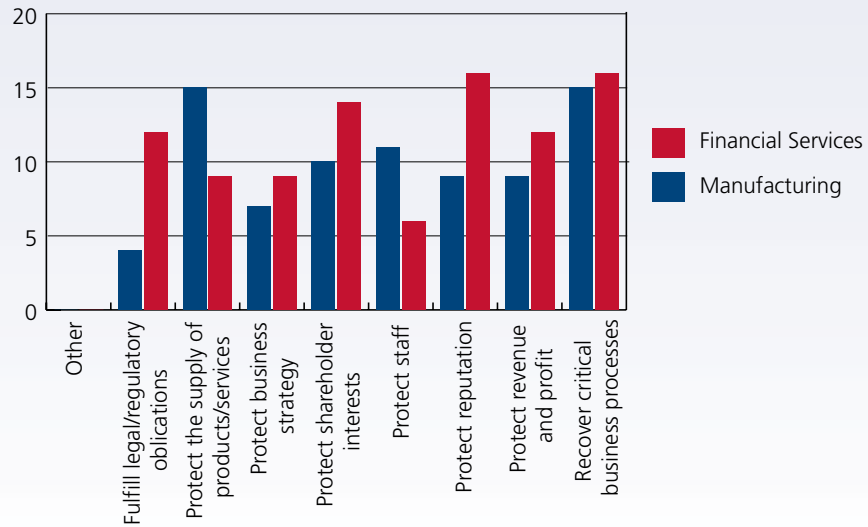
Unsurprisingly it shows that BCM plans primary purpose is to recover critical business processes (79%). The second two largest reasons for BCM are to protect reputation (60%) and protect staff (59%). The reasons for BCM cited least were to fulfil legal/regulatory obligations (33%) and to protect shareholder interests (36%).

Although the primary reason of recovering critical business processes was expected, the fact that protecting reputation and staff come above protecting profits is a good sign.

This shows that there is a belief within firms that their reputation and staff are more important than a short-term loss of money.

The least cited results are fulfil legal/regulatory obligations and protecting shareholder interests. Insofar as these factors represent more 'tick in the box' solutions rather than an integrated BCM solution, this is a positive result. However, it also suggests that the focus on plans is on the immediate consequences of disruption, and less on some of the longer term implications.

### BCM specifically designed to



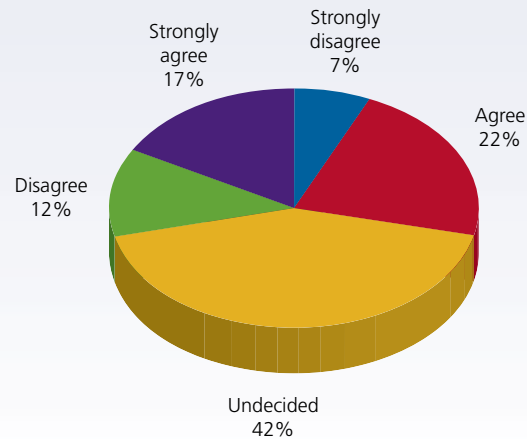
Further analysis of the two main industries shows that Financial Services place a higher emphasis on protecting staff and reputation and fulfilling legal/regulatory obligations. Manufacturing places a much higher emphasis on protecting the supply of products and services and protecting shareholder interests.

These results reinforce earlier analysis, with Financial Services responding to FSA and other regulatory pressure, whilst Manufacturing firms are increasingly concerned about protecting the supply of goods and services. Both sectors show a good awareness of the other issues, although reputation could become more of an issue for the Manufacturing industry.

The overall conclusion of this data is that firms are beginning to see risk management and BCM as more than just a regulatory fix or a way to avert and manage a crisis. They are beginning to see the potential upside in managing their reputation and ensuring the protection of their staff and other critical processes.

# BS 25999 collaboration

**Our organisation intends to align its BCM with BS 25999 within 2 years**

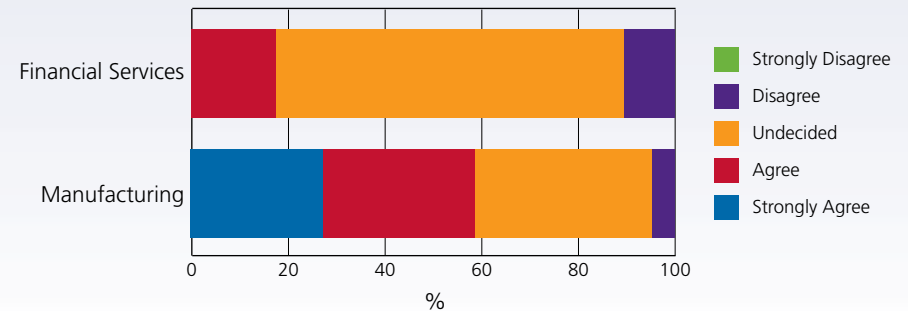


BS 25999 is a British Standard that regulates BCM programme implementation and management that launched in 2007. Although it is a British Standard, it has relevance outside of the UK and is a useful tool for any firm that is trying to implement a BCM programme.

Of all respondents surveyed, 39% said they intended to align their organisation with BS 25999 in the next 2 years. 19% said that they did not intend to align their organisation with BS 25999 and 42% were undecided. It is also important to note that there are different stages of alignment, from simple compliance to full accreditation.

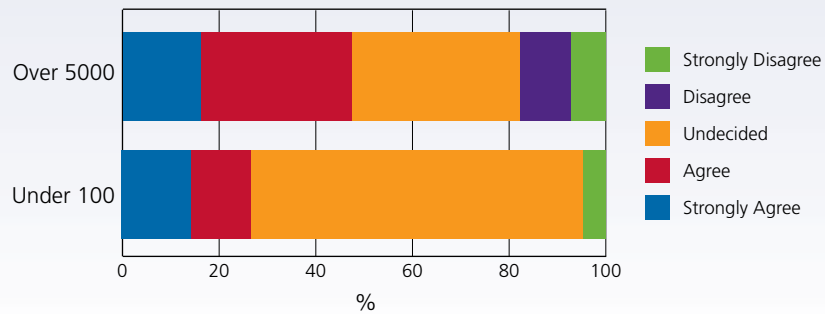
Looking more closely into the country of origin, shows that BS 25999 alignment is a more serious issue for UK firms, with 60% agreeing with the proposition. Outside the UK half the respondents remain undecided, but 28% of foreign businesses do intend to comply with the standard, which is a surprisingly high level of acceptance.

**BS 25999 firm sector compliance**



Further analysis of the two largest sectors shows that regulatory concerns are likely to be a large driver for BS 25999 alignment. 56% of Financial Services are set to comply (28% strongly), with the majority of the rest currently undecided. In contrast to this is the Manufacturing sector, where only 16% are intending to align.

### BS 25999 firm size compliance

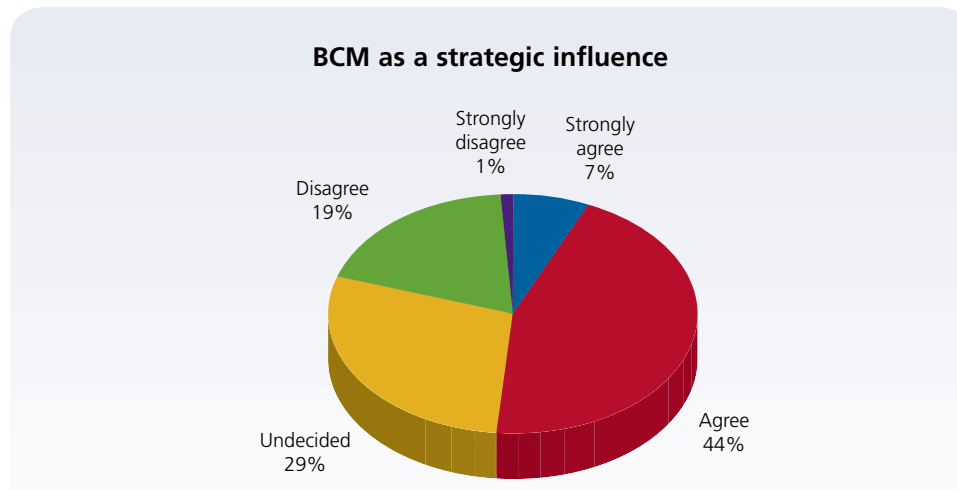


The size of a company also seems to be important when considering BS 25999 alignment. In firms over 5,000 people, there is a 48% of alignment, as opposed to a 28% chance in firms under 100. This could be attributed to the fact either that BS 25999 is seen as a standard for larger firms only, or simply that smaller firms have more pressing concerns and do not view BS 25999 as a priority.

From these results, you can conclude that BS 25999 is particularly well accepted by large, UK Financial Services. There are a number of reasons why this could be the case; the time and resource cost could put off smaller industries; compliance could be the main driver in those intending to align and firms outside the UK may view it as a British Standard that doesn't affect them.



# BCM as a strategic influence



The final question is a culmination of all the previous responses as it looks into whether firms used BCM as a strategic influence. Most of this report focuses on how BCM is incident driven through processes, best practice and physical results. BCM maturity should however have a more of an issue driven focus; on the non-physical attributes such as reputation, compliance and supply chain management.

Results show a shift towards a strategy driven BCM focus, with 51% saying they use BCM as a strategic influence. Only 20% of respondents said that they do not use BCM for strategy and 29% were undecided.

The survey doesn't reveal in what way BCM is a strategic influence. Marsh has seen many examples at clients where BCM considerations influence the

location of new sites and the nature of business carried out on those sites. Some businesses are now starting to take account of resilience as one of the factors in measuring value in making investment decisions.

However, these are exceptions in our experience, and although these results seem very positive in respect of the maturity of BCM, they are more likely to represent wishful thinking!

BCM represents an opportunity for organisations. When used correctly, BCM can be a useful factor in making strategic decisions. The understanding of the business, the dependencies on key resources, and the impact of change all help towards a strategic understanding of the organisation, and better decision making. This gives a potential upside applying BCM to strategic thinking.

# MARSH



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

## Contact:

Martin Caddick,  
Leader, Business Continuity Practice,  
Risk Consulting Practice.

[Martin.Caddick@marsh.com](mailto:Martin.Caddick@marsh.com)

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