

# Business Continuity Management 2005

## Introduction

The Chartered Management Institute, in conjunction with the Continuity Forum and VERITAS Software, has carried out new research into Business Continuity Management (BCM). This is the sixth survey since 1999 that the Institute has undertaken into issues around Business Continuity, which may be defined 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. (BSI PAS 56) ”

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. It points to the main causes of business disruption over the past twelve months and enables managers to share best practice, using the results to improve understanding of Business Continuity issues. In addition, this survey looked at the degree to which Business Continuity practices have become integrated into organisational cultures.

The research took place in January 2005. The views of 440 managers were obtained from a postal questionnaire sent to a random sample of individual Institute members.

## The extent of Business Continuity Management

- The number of organisations that have a Business Continuity Plan (BCP) covering their critical business activities continues to grow. It stands at 51 per cent, compared to 47 per cent in 2004, 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, 66 per cent have a BCP, compared to just 34 per cent of those with a turnover of under £11 million.
- A significant shift in the factors driving BCM has occurred, with corporate governance and central government becoming more influential (Table 1 below). Perhaps as a consequence, auditors are also more important, while insurers and existing customers continue to exert a significant influence.

Base: 440 respondents (2005)	2002 %	2003 %	2004 %	2005 %
Corporate governance	22	26	24	34
Insurers	12	25	22	25
Existing customers	36	30	30	24
Central government	24	15	14	22
Auditors	14	15	15	20
Regulators	-	17	18	19
Potential customers	29	22	21	16
Investors	9	6	5	9
Suppliers	9	6	6	4
Not looked at BCM	-	7	25	17
Don't know	12	6	5	5

Table 1: External drivers for Business Continuity Management 2002-2005

- Looking at this by size of organisation, a significantly different picture emerges. Larger organisations (defined as those with a turnover of over £11 million, a good proxy for size) are significantly more likely to be driven by corporate governance requirements: 46 per cent, compared to 21 per cent of smaller firms. This is likely to increase when the Operating and Financial Review comes into force in April 2005, requiring listed companies to report annually on factors likely to affect their future performance and with further developments of the Combined Code relating to internal controls.

## Extent of concerns about potential threats and disruptions

- As in the previous surveys, managers were asked about the kinds of threats that might have a significant impact on their organisation. There has been a notable rise in awareness of the dangers associated with loss of skills (56 per cent) and loss of people (55 per cent), important areas that are still covered by too few plans (see Table 4 below).
- Loss of IT, loss of telecommunications, fire, loss of access to site and terrorist damage remain the top concerns to organisations, with over half of managers saying that they would cause major disruption.

Base: 440 respondents (2005)	1999 %	2001 %	2002 %	2003 %	2004 %	2005 %
Loss of IT	78	82	46	58	60	70
Loss of telecommunications	-	-	-	-	62	64
Fire	45	62	32	51	53	56
Loss of skills	37	59	43	51	48	56
Loss of people	-	-	-	54	48	55
Loss of (access to) site	33	55	32	54	51	53
Terrorist damage	22	30	23	47	48	53
Damage to corporate image/brand/reputation	41	50	40	46	48	48
Negative publicity/coverage	34	43	37	45	46	44
Employee health and safety incident	22	30	22	35	34	35
Environmental incident	20	19	19	26	23	35
Supply chain disruption	-	-	25	34	32	35
Flood/high winds	18	29	9	24	25	29
Customer health/product safety	19	21	22	25	26	27
Military conflict	-	-	-	16	24	27
Pressure group protest	7	14	9	14	27	20

**Table 2:** Extent of concerns about organisational disruption 1999-2005

- More widespread concerns may reflect increased awareness among managers about the potential threats facing UK organisations, given that concern is almost universally higher across a broad range of threats. However, these fears are not being matched by better Business Continuity Management.

## Events causing disruption in the past year

- There is a clear suggestion that higher levels of disruption were experienced in the past twelve months. Almost universally, respondents recorded more disruption, as in Table 3.
- The three most common sources of disruption to UK organisations in the past year were loss of IT, loss of people and loss of telecommunications.

Base: 440 respondents (2005)	1999 %	2002 %	2003 %	2004 %	2005 %
Loss of IT	6	19	24	25	41
Loss of people	-	-	26	20	28
Loss of telecommunications	-	-	-	23	25
Loss of skills	1	33	16	14	20
Flood/High winds	4	18	15	10	18
Employee health and safety incident	0	13	9	8	19
Negative publicity/coverage	2	24	17	16	17
Loss of access to site	2	5	5	6	11
Damage to corporate image/reputation/brand	1	15	7	8	11
Supply chain disruption	-	19	11	12	10
Environmental liability/incident	2	9	5	4	7
Customer health/product safety issue/incident	1	11	6	4	6
Pressure group protest	1	10	7	7	6
Fire	2	6	5	5	5
Military action conflict	-	-	2	5	4
Terrorist damage	1	2	1	1	2

**Table 3:** Types of disruption to organisations in past year 1999-2005

## Disruptions covered by Business Continuity Plans

- Those with BCPs still tend to concentrate their plans around certain kinds of disruption. Only six kinds of disruption are covered by a majority of BCPs.

Base: 226 respondents (2005)	1999 %	2001 %	2002 %	2003 %	2004 %	2005 %
Loss of IT capacity	75	69	75	82	84	82
Loss of telecommunications	-	-	-	-	65	73
Fire	55	47	51	58	60	70
Loss of (access to) site	49	43	62	69	64	68
Utility outage	-	-	-	-	-	58
Terrorist damage	37	26	39	47	33	54

**Table 4:** Key disruptions covered by Business Continuity Plans 1999-2005

- Increased awareness of the range of threats is not being matched by the extent of business continuity planning. In particular, the increased experience of disruption caused by loss of people and skills has not yet been matched by the BCPs that organisations have developed.
- There is an additional need for organisations to consider not only the disruptions most likely to affect them in terms of frequency, but those which might cause most damage if they were to occur. Fire, for instance, may be more damaging than frequent IT disruption. The significance of disruptions will vary by sector, and individual organisations need to carefully assess their own critical areas.

## Invocation of Business Continuity Plans

- The most common reason for invocation of BCPs in the past 12 months has been loss of IT, which caused one in five of those managers with BCPs to use them. Loss of telecommunications and utility outages such as power failures required invocation of plans by 15 and 11 per cent respectively.

## The effectiveness of Business Continuity Plans

- Managers in organisations that had invoked their BCPs were asked how far they agreed that the BCP had effectively reduced the impact of disruption. A total of 86 per cent agreed or strongly agreed with the proposition, giving a positive endorsement of Business Continuity Management and the need for properly-developed plans.
- Agreement with this statement is even stronger among those managers who rehearse their BCPs at least once a year (rising to 100 per cent agreement for those who rehearse at least every six months), highlighting the importance of regular rehearsals - see below.

## The UK's preparedness for terrorism

- Confidence about the UK's preparedness for the threat of terrorist activity has fallen. 46 per cent of managers feel that it is insufficient, compared to 36 per cent in 2004.
- This shift may reflect anxieties caused by the 'M-11' bombing in Madrid or the drawn-out instability in Iraq. Terrorism has also remained on the news agenda due to the debate over domestic anti-terrorist measures and government powers of detention.

## Best Practice in Business Continuity Management

### Frequency of rehearsal of Business Continuity Plans

- The amount of BCP rehearsal remains a cause for anxiety, with nearly one in five organisations not rehearsing their plans at all in this year's survey. Only 52 per cent of organisations rehearse their BCP once or more per year - once a year being the minimum recommended frequency.

Base: 226 respondents (2005)	1999 %	2001 %	2002 %	2003 %	2004 %	2005 %
Every three months	10	4	6	8	5	3
Every six months	11	14	12	11	12	11
Once a year	30	31	39	36	40	38
About every two years	9	9	7	8	7	10
About every three years	3	3	3	4	3	4
Not at all	30	40	16	19	24	20
Don't know	-	-	16	12	8	13

*Table 5: Frequency of BCP rehearsal 1999-2005*

### Techniques for Business Continuity Plan rehearsal

- As Table 6 shows, the survey again asked about the techniques used in BCP rehearsal, ranging from desk based audits to full plan scenario with all partners. The findings show that more limited techniques were more commonplace.

Base: 139 respondents (2005)	2003 %	2004 %	2005 %
Desk based audits	55	59	51
Walk-through	43	38	41
Prepared rehearsal	35	27	-
Simulations	-	-	55
Full plan scenario with all partners	21	20	21

*Table 6: Techniques for BCP rehearsal 2003-2005*

## Impact of Business Continuity Plan rehearsal

- Managers were asked whether BCP rehearsals had revealed any shortcomings in the effectiveness of their plans and whether these had been addressed.
- A total of 86 per cent said that their rehearsals revealed shortcomings, up from 83 per cent in 2004. This clearly illustrates the importance of BCP rehearsal for effective BCM. There is also a strong link between frequency of rehearsal and the effectiveness of BCPs when they are invoked to respond to real-world disruption.
- A worrying 13 per cent reported that the shortcomings revealed by their rehearsals had not been addressed. This included a number of very large organisations indicating that responding to the problems identified by rehearsal remains a challenge for organisations of all types.

## Business Continuity within the organisation

- Managers were asked who has responsibility for leading BCM in their organisations. 27 per cent said it was a Board responsibility, and 49 per cent saw it as a responsibility for senior management. Eight per cent saw it as the responsibility of a BCM team, 4 per cent saw responsibility as lying with operational staff, and 2 per cent said it was the responsibility of an operational risk department.
- This is encouraging because previous research reveals that BCM needs board/senior management buy-in to be effective, since it requires identification of business-critical areas and the development of strategies to deal with disruption across what may be a wide range of business activities. It is not simply a question of IT or facilities.
- A new question was asked about which functions are involved in creating BCPs:

Base: 226 respondents	2005 %
Information technology	73
Finance	56
Facilities management	56
Human resources	55
Risk management	55
Security	49
Purchasing/procurement	29
Public relations	28
Production/manufacturing	26
Sales	19
Marketing	19
Outsourcing	13
None of the above	3
Other	15

**Table 7:** Functions involved in creating BCPs

- There is some cause for concern in these figures. The areas most likely to be involved in BCP, such as IT, may be characterised as support services for the core activities of production and delivery (including sales and marketing), which are less likely to be involved in creating a BCP. Involving core groups in the plans affecting their areas is important for developing a fuller understanding of organisations' BCM needs.
- Budgetary arrangements for BCM further suggest the shift of BCM into mainstream business operations. In 38 per cent of organisations the majority of the BCM budget is held by a managing director, and in 18 per cent by a financial director. In only 5 per cent is it held by an IT director, and in 9 per cent by a risk manager.

## BCM and the organisational culture

- A sequence of new questions was asked in 2005, addressing the extent to which awareness of BCM has been integrated with organisational culture and the employees' skills.
- Of those with BCPs, 59 per cent describe BCM as an integral part of their organisation's change and project management processes.
- Only 25 per cent have a BCM induction awareness programme for all employees, and 53 per cent provide additional training for specific, relevant staff.
- From these findings it appears that BCM has not yet entered the mainstream of organisations' performance cultures. Only 30 per cent of respondents claimed that BCM is part of their organisation's performance indicators, while it is used in individual managers' targets by just 24 per cent. A majority - 58 per cent - have no assurance process in place to measure BCM performance against either the organisation or the individual.

## Ensuring Quality in BCM

### External evaluation and benchmarking of Business Continuity Plans

- A new question was asked of those with BCPs to examine in more depth the methods that are being used to ensure the quality of BCM processes.

Base: 226 respondents	2005 %
Guidelines	35
Regulations	33
Standards	32
Legislation	30
Other organisations	20
Do not evaluate	27

**Table 8:** Methods used to evaluate BCPs

- These levels of use of standards and regulations is encouraging, suggesting a rise on previous years. However, too many organisations still do not evaluate their BCM capabilities in any way.

### Use of standards and guidelines

- Managers were asked again about the recently introduced British Standards Guide to Business Continuity Management, PAS 56. Of those with a BCP, 35 per cent were aware of the new guide, up from 26 per cent in 2004.
- Despite increasing awareness, uptake remains low. Of those who use standards or guidelines to evaluate their BCM capability, only 11 per cent currently use PAS 56. BSI/ISO 17799 is used by 30 per cent and ITIL by 5 per cent - however, these standards are principally IT-based and are not full BCM standards.
- Managers in organisations with turnovers greater than £11m were more likely to use standards and guidelines to assess and benchmark their BCM capability. Nevertheless, just 7 per cent of this group report using PAS 56.

### Auditing BCM

- Those with BCPs were asked how they audit their BCM capacity

2005	Organisations with turnover to £11m %	Organisations with turnover of £11m+ %
Internal auditor	43	65
External auditor	16	39
Regulator	1	9
Do not audit	40	17

**Table 9:** Auditing BCM capability

- Although these figures are initially encouraging, with only 17 per cent of larger organisations failing to audit their BCM capability in any way, there are still serious questions about the effectiveness of these processes in ensuring quality, given the low awareness of and adherence to recognised BCM standards.
- This is a significant problem from a compliance perspective: if BCM capability is not being audited to a sufficiently rigorous standard, its effectiveness cannot be relied upon. This creates a problem in terms of how organisations assess the returns on their investment in BCM.
- This also raises the question of who is qualified to audit BCM: managers need to ensure that audits are carried out by people with the necessary expertise.

## Key audiences for Business Continuity Plan communication

- BCPs continue to be primarily reported to senior management and board teams. While there has been some increase in communication to insurance companies and shareholders, interest from the investment community appears to remain low. This may change for listed companies in particular, if the Operating and Financial Review stimulates a more forward-looking approach. Indeed, the rise in communication to senior management may reflect the rise of corporate governance issues (see also Table 1 above).

Base: 226 respondents (2005)	1999 %	2002 %	2003 %	2004 %	2005 %
Senior management/Board	71	73	80	76	81
Employees	53	63	52	44	58
Insurance companies	18	16	29	21	27
Customers	28	19	20	18	16
Shareholders	21	15	16	14	16
Regulators	-	-	25	18	15
Suppliers	15	15	7	7	9
The investment community	8	8	8	6	6
Local community	8	7	9	6	8
Others	7	3	5	11	9
Don't know	-	8	4	4	4

**Table 10:** Stakeholders to whom BCP is communicated 1999-2005

- While size of organisation has an impact on this - with larger organisations generally reporting more widely to their stakeholders - it remains open for many organisations to improve communication with their stakeholders and demonstrate their understanding of the risks faced by their business-critical functions, and their capacity to deal with disruption.

## Supply chain management issues

### Requirement for outsource suppliers to have a Business Continuity Plan

- As in previous years, this remains a grave cause for concern. Just 15 per cent of organisations require outsource suppliers to have a BCP, showing no significant changes from the previous three years, although another 12 per cent require plans of business-critical suppliers. The Continuity Forum 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, 51 per cent simply accept a statement from their suppliers as verification. The concern here is that no evaluation of BCM capability has been undertaken with outsource suppliers.
- 37 per cent take the more active step of examining their suppliers' BCPs, while 20 per cent are involved in rehearsals. These findings are similar to those in previous surveys.

## Conclusions

- There is evidence of a small but consistent growth in awareness of Business Continuity Management issues. However, too many managers continue to work in organisations where there is no BCP in place, or where they remain unaware of its existence.
- The rise of the corporate governance agenda in particular is starting to drive this shift.
- The increased level of concern about threats to organisations 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 regular and thorough BCP rehearsal is essential for effective BCM. Too few organisations manage to do this consistently, and so increase the risks of trying to use flawed BCM capability when faced by real disruption.
- Major steps need to be taken to start ensuring the quality of BCM. Too many organisations still scrape by with unrehearsed and unmeasured plans which expose them to unnecessary risk.

## Recommendations

- The Chartered Management Institute, the Continuity Forum and VERITAS recommend that all organisations should have a BCP in place and practise good BCM. For further information about how to implement BCM visit the Continuity Forum - [www.continuityforum.org](http://www.continuityforum.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 use British Standard PAS 56 and any subsequent standard as a basis for self-assessment and benchmarking of Business Continuity.
- 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 and, in particular, need to assess the risks posed by loss of people and skills.
- The introduction of the Operating and Financial Review is likely to prompt a more forward-looking approach from listed companies. The Chartered Management Institute recommends that all organisations take a forward-looking view as a matter of best practice. A strategic approach to BCM is likely to form part of this.
- We recommend that BCM is used throughout supply networks in the UK, in particular with outsourced providers.

### Continuity Forum

The Continuity Forum is a member-focused organisation committed to building the resilience of organisations internationally, regardless of size or sector, through education and the promotion of best practice in Business Continuity Management and its related disciplines. The Forum is dedicated to aiding the growth and the development of the Continuity sector and appropriate standards. More information about Continuity Forum can be found at [www.continuityforum.org](http://www.continuityforum.org).

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