



**Continuity
Forum** PTY LTD

***Australia-New Zealand
Business Continuity
Benchmarking Survey 2007***

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Continuity Forum Pty Ltd **Benchmark Indicators on Business Continuity 2007**

Introduction

The drivers of business continuity have changed in the past few years: from IT issues during the Y2K period and terrorist threats following 9/11, the focus has now shifted on natural disasters and pandemics. Continuity Forum conducted its first Business Continuity Benchmarking Survey in 2005, and the 2007 survey is part of its ongoing effort to map the status of business continuity in Australia and New Zealand throughout these years of change.

We are pleased to observe an increasing awareness of the importance of business continuity among senior managers, as indicated by the results of our surveys. This trend is confirmed by the growing number of Continuity Forum members over our three years of activity.

This benchmarking survey has been conducted in the Australia/New Zealand region between April and June 2007. It consists of 52 questions and it is accessible via our website www.continuity.net.au. Of 64 respondents, 38 were members of Continuity Forum, others were notified about the survey via our wider list of contacts or found the survey independently on the internet. We did not conduct the survey in person and this approach generated a bias in favour of those organisations whose representatives were motivated to invest their time into the survey and had the competence to provide appropriate answers. As a consequence we can only make qualitative comparisons with previous surveys conducted in our region, where different approaches were adopted.

The past surveys we refer to in this report are the Macquarie University Survey of Business and Contingency Planning in Australia (2000, Musson & Jordan), KPMG's Asia-Pacific Business Continuity Management Benchmarking Survey (2003) and Continuity Forum's First Benchmarking Survey (2005).

The survey analysis has been performed by Continuity Forum using internal software. The results obtained have been discussed with a group of business continuity professionals whose input is part of the comments made in this report.

We are grateful to all the business continuity professionals who took the time to answer our survey. This work would not have been possible without their contribution, and without the continuing support of our sponsor Hewlett-Packard Australia.

Executive Summary

Business Continuity Management (BCM) has developed from a discipline focusing on IT systems for large firms to an organisation-wide framework that allows government and businesses to prepare for a range of possible threats, whether they be internal system failure or external emergencies such as natural disasters, terrorism, infectious diseases or economic instability.

Continuity Forum has conducted a benchmarking survey in the Australia/New Zealand region between April and June 2007. The objectives of the research, proudly sponsored by Hewlett-Packard Australia were to explore the level of adoption of Business Continuity across government and business. The survey identifies baselines for:

- ♦ Allocation of resources in organisations of various sizes
- ♦ Buy-in to BCM at an executive level
- ♦ Maturity of plans across various areas of the business
- ♦ Frequency and complexity of testing

Nearly 70% of our respondents work within all levels of Government or the financial sector. The methodology of our survey implies that nearly all respondents are part of organisations that invest significantly in business continuity (BC). However even in this highly focused environment some important issues are still a work in progress.

Key findings

This research addresses five key areas: The importance of BC Planning; Risk Management; Developing and implementing BCM plans; Resource recovery and BCM plans; Building a BCM culture.

Encouragingly, 70% of respondents indicate that senior management rates the importance of their business continuity plans (BCP) at above average. Nearly all respondents have completed a BCM plan in-house, with around 20% having outsourced part of it. Plans are generally produced according to a recognised standard.

IT failure is still the major cause of disruption followed by utility services provider failure and natural disasters. Accordingly, natural catastrophes and breakdown of critical information infrastructure are among the top three perceived threats. The highest perceived threat is pandemics, with terrorism rating lower than it did a few years ago.

Two thirds of the respondents do not benchmark their BC Plans against their industry sector, which might be due to confidentiality of the information discussed in the plans and/or to lack of available benchmarks.

Most organisations have a risk methodology and/or a BCM framework in place, but 30% have not updated their Business Impact Analysis (BIA) in the last 12 months, and 40% do not have BCPs for all the critical activities based on the current BIA. More effort needs to be put into ensuring that a satisfactory level of BCM is maintained throughout the supply chain.

Two thirds of respondents have a clear emergency response plan and crisis management plan. However this does mean that one third of respondents have not yet planned for an emergency. On the positive side, those who have plans have made provisions for the welfare of people and to make sure that staff is prepared to handle a crisis.

Nearly 70% of respondents indicate that the main goal of their BC plans is demonstrated recovery through testing, highlighting the fact that the focus is on protecting the business effectively, rather than on meeting obligatory compliance requirements.

Past surveys conducted in 2000 and 2003* indicate that plans were not sufficiently tested and hence most of them were unlikely to work. Our results show that companies usually have some sort of testing procedure in place, however these are often IT-based or desktop only.

There are additional benefits related to BCP, in the form of a marketing edge on competitors and reductions in insurance rates. Increased efficiency is often a result of better understanding of the recovery of business processes. Our results show that little of no use is being made of these opportunities at this stage.

Conclusions

A few years ago business continuity was centered on IT and the recovery of critical records, and the main resources for business continuity were allocated accordingly. Today the main focus has shifted towards a more holistic approach and provisions are being made for the welfare of people in case of a crisis.

The percentage of executive managers who are aware of the importance of BCP has increased in the past few years, however more can be done to generate buy-in with the remaining managers. An increased involvement of the BC professionals with their marketing and insurance divisions might help provide evidence for the Boards of a number of additional benefits related to BCP.

Most institutions have a risk and/or BC framework in place, but many have not updated their BIA in the past year and are still working on their BCP. This indicates that their BC framework is still somewhat immature.

More in-depth testing would provide many organisations with a better level of comfort about the effectiveness of the plans. While there are reasons why plans are generally produced in-house, selectively outsourcing part of the plans such as testing to BC professionals might help ensure their robustness without the need of disclosing sensitive internal information.

* See Introduction for references

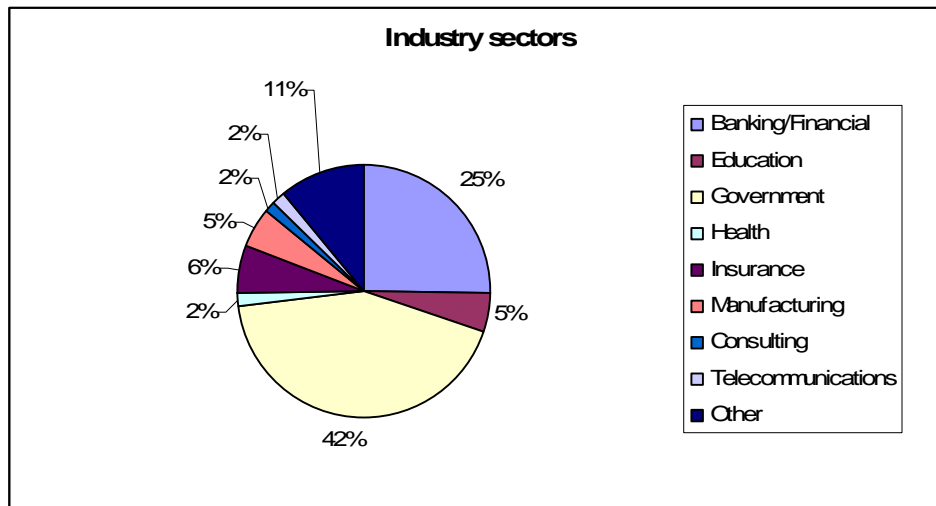
Demographics

Nearly 70% of our 64 respondents work within all levels of Government or the financial sector. Most respondents work in large organisations or Government departments. All of them completed the survey via the internet. The fact that no interviews were conducted in person has generated a bias in favour of those business continuity (BC) practitioners who were motivated to invest their time and had access to the information needed to answer most of the questions.

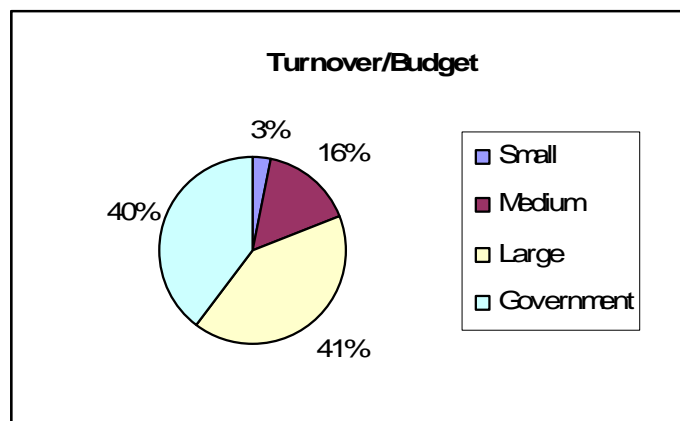
We are aware that a number of potential respondents deemed their BC to be in too preliminary a stage to be satisfactorily represented within the structure of our survey. Others did not feel they had the information needed to answer most of the questions. The number of potential respondents who elected not to take the survey is hard to estimate, hence so is the number of organisations with a less developed BC framework than those involved in our study.

The head office of 19% of respondents is located in New Zealand and 4 financial institutions have their headquarters overseas. The others are located in Australia.

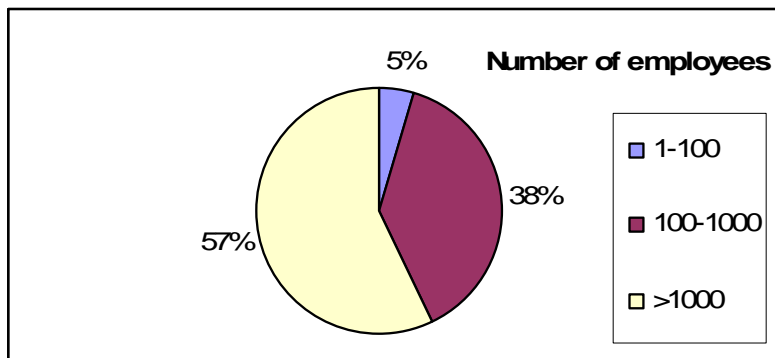
1) Industry sectors:



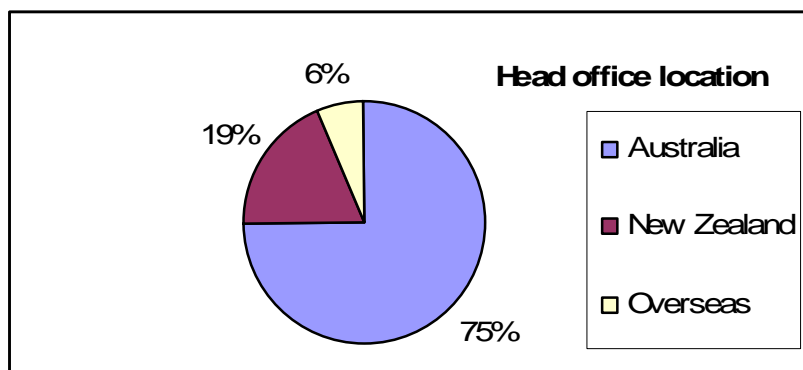
2) Turnover/budget range bracket (Small: < 3M, Medium: < 100M; Large: > 100M; Government):



3) Number of employees in all locations



4) Head Office location



The importance to your organisation of Business Continuity Plans

It is encouraging to note that the majority of senior managers show a satisfactory level of awareness of the importance of business continuity plans (BCP). Continuity Forum's 2005 survey showed that only 40% of executives were supportive of BC.

The two major causes of disruption in the past year were IT failure and provider failure, which is consistent with the findings of the Macquarie University survey in 2000. Damage due to natural disasters has always been an issue, but it might be on the increase as a consequence of global climate changes.

83% of respondents use a recognised standard in developing their business continuity management (BCM). The most popular standards used are AS/NZS 4360 and APRA. Probably HB221 is also used, while BS25999 might not have been available for long enough to be used in the existing BCM processes.

The fact that most plans are produced in-house might be due to the sensitive nature of the information they contain. Outsourcing only part of the plans, such as testing, might have the advantage of ensuring their completeness, effectiveness and reliability without disclosing confidential material to outsiders.

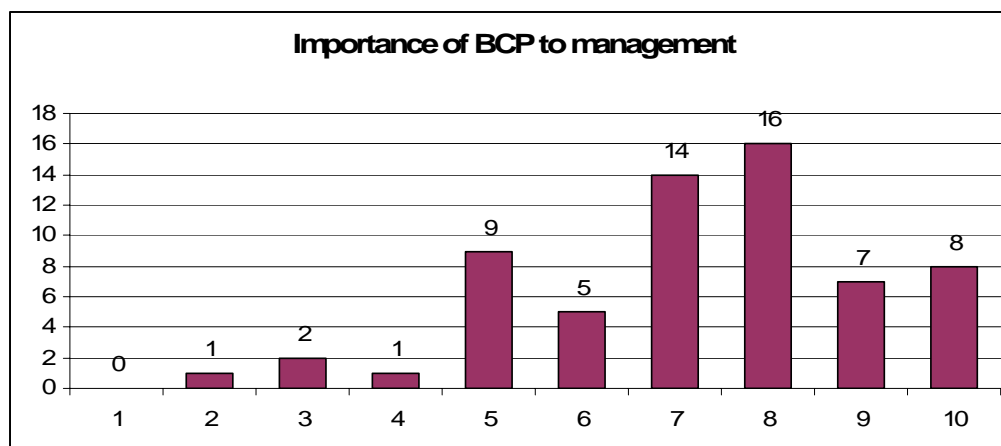
85% of organisations in this survey have one or more full-time staff and they generally have a business impact analysis (BIA) in place. Those without one, however, are still too many. An even larger percentage have not updated their BIA in the past 12 months.

The majority of organisations find that their maximum allowable outage (MAO) is less than 1 day, which is consistent with the findings of the Macquarie University survey. The KPMG survey showed that the majority of respondents have a MAO of 7 hours or less. MAO is a hard quantity to estimate as it heavily depends on when the outage starts and on the business areas affected. The cost of interruptions has proven equally hard to estimate for our respondents. Yet the costing of interruptions is a very important part of the BIA and information on disruption costs for the top business processes might prove a powerful tool to create buy-ins from senior management.

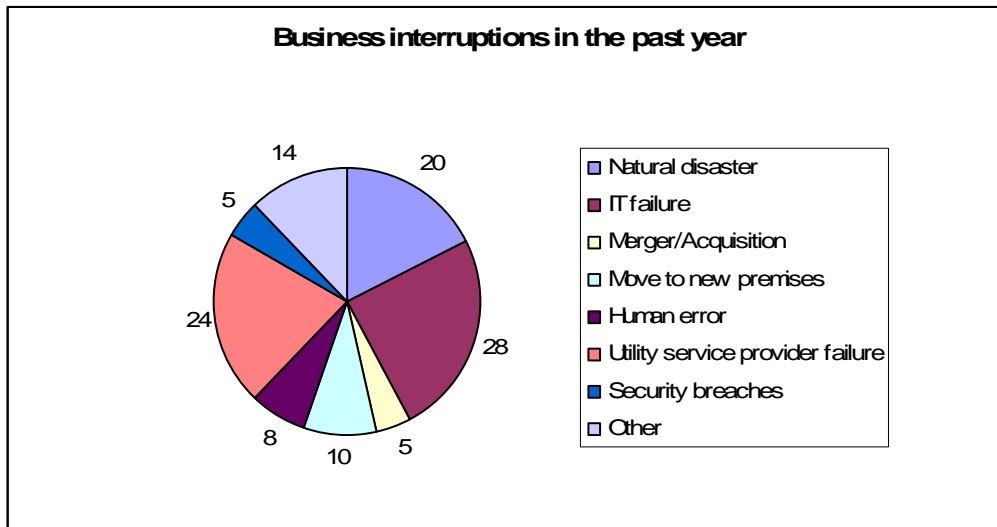
Financial institutions usually benchmark their BC but other organisations generally do not, probably due to lack of benchmarks and to the sensitivity of the information included in the plans.

There are additional benefits related to BCP in the form of a marketing edge on competitors and reductions in insurance rates. Increased efficiency is often a result of better understanding of the recovery of business processes. Our results show that little or no use is being made of these opportunities at this stage but this might change in the future as the general awareness of BC issues increases.

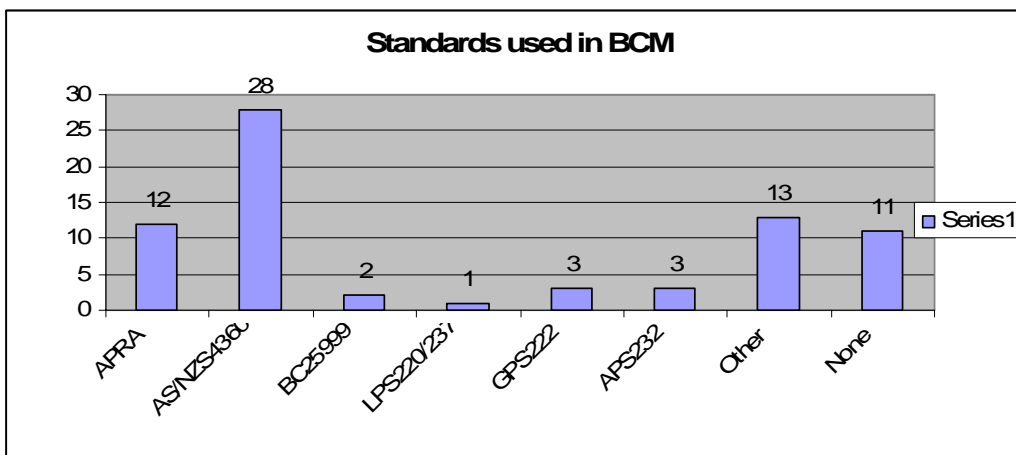
5) Importance of the Business Continuity Plan (BCP) to senior management and Board [from 1 (very low) to 10(very high)]



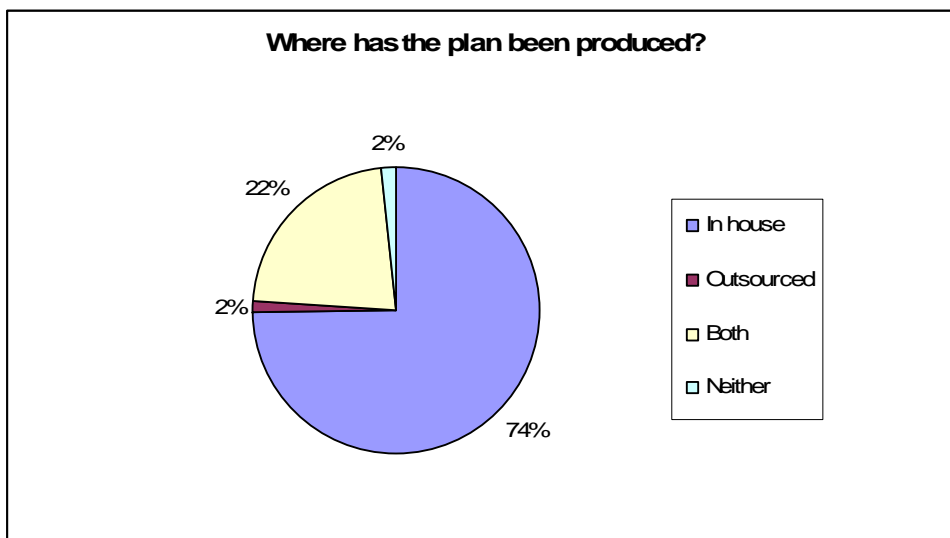
6) Type of business interruptions experienced in the past financial year



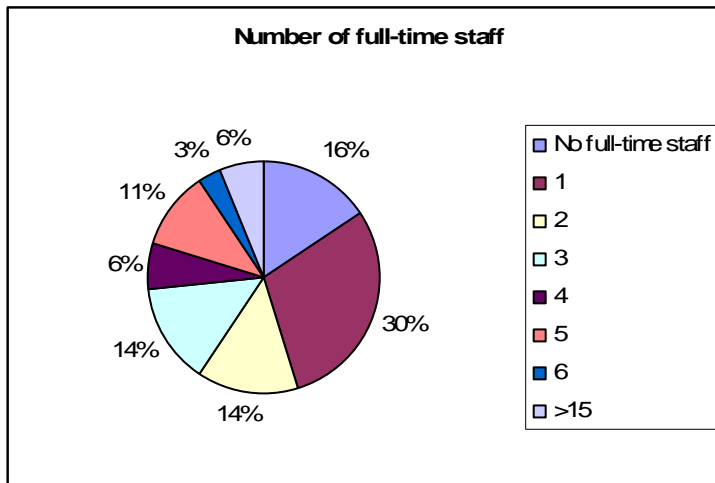
7) Recognised standard used in Business Continuity Management



8) Has the BCM plan been produced in-house or outsourced?



9) Staff involved full-time with BC/Disaster Recovery



10) Additional resources dedicated to business continuity:

Three quarters of respondents indicate they have additional resources in the form of part-time staff, consultants, procedure writing etc.

11) Business Impact Analysis (BIA) process included in organisation

Yes (80.1%) No (19.9%)

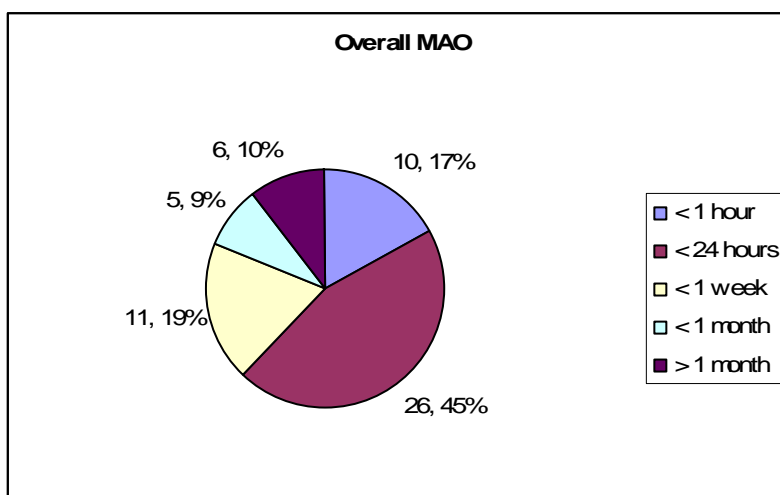
12) BIA been completed in the last 12 months

Yes (65.6%) No (34.4%)

13) BIA identifies the required times and levels of recovery of all the main processes, and these are reflected in the BCP

Yes (82.8%) No (17.2%)

14) Overall maximum allowable outage



15) Does your organisation benchmark its BCP against others in the region/industry?

Yes (34.4%) No (65.6%)

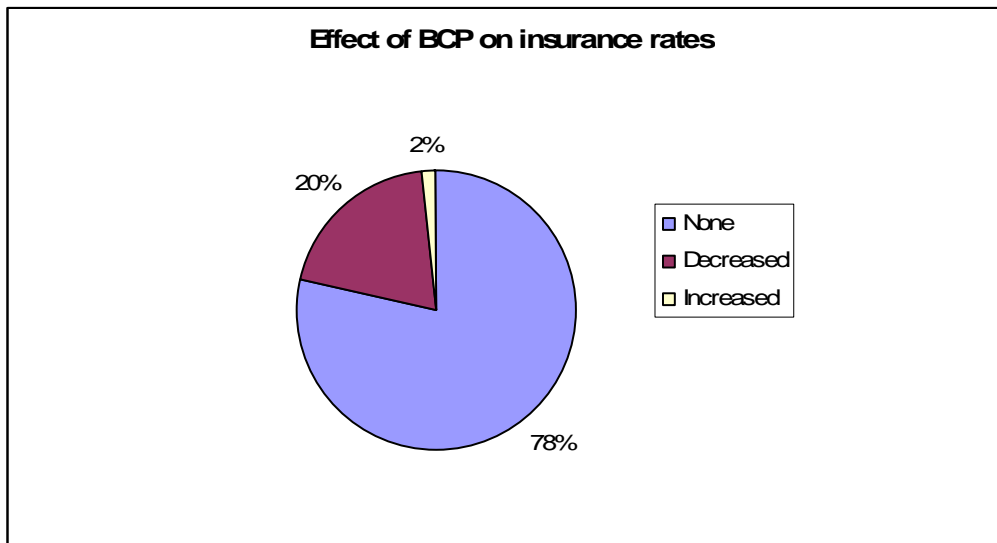
16, 17) Downtime cost for 1 hour and in the past year

Hard to estimate for most respondents

18) Business won by making strategic marketing use of BCP

None, or very little

19) Effect of BCP on insurance rates



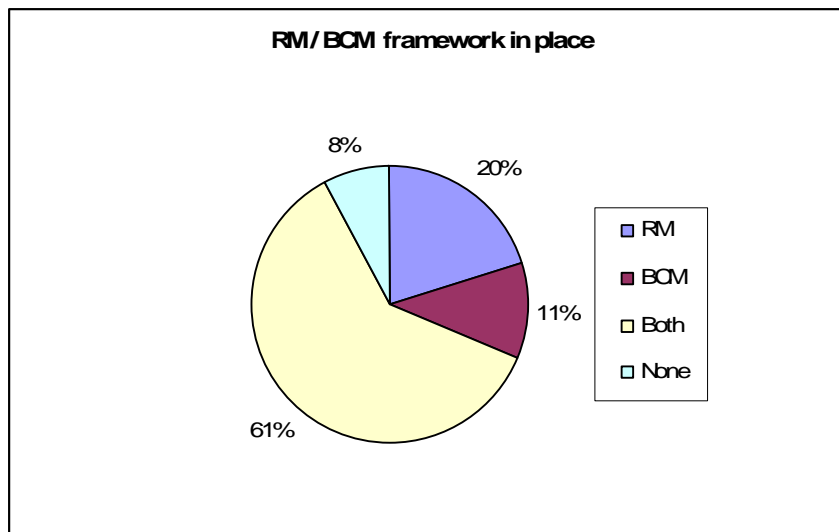
Risk Management in your organisation

Most organisations have a risk methodology and/or a BCM framework in place, which is an encouraging result.

The concern about the impact of natural catastrophes is understandable, given that natural disasters have been indicated as the third most important cause of disruptions in the past year. It is interesting to note that the most important cause of concern is the threat of a pandemic, which involves a people-related type of disruption. The Macquarie and KPMG surveys indicated that the main concern in previous years was more centred on IT than HR. This trend might be less significant for organisations that are more reliant on their infrastructure, such as those in the manufacturing sector.

Nearly 70% of respondents state that the main goal of their BC plans is demonstrated recovery through testing, highlighting the fact that the focus is on protecting the business effectively, rather than on meeting obligatory compliance requirements. Twenty-one organisations indicated that regulatory compliance and testing were both main goals, others indicated either compliance only or testing only.

20) Risk methodology (RM) and/or BCM framework in place (with criteria, tools and techniques)



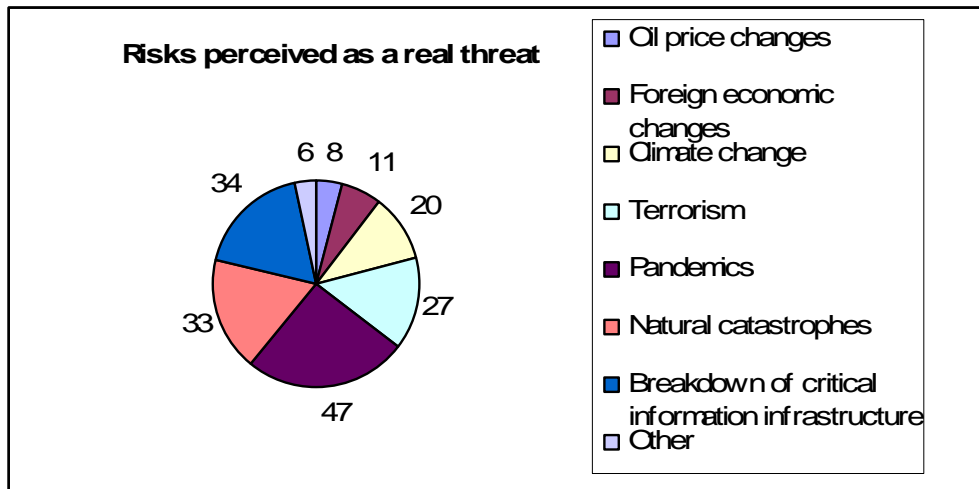
21) The BIA identifies systemic organisation and industry risks

Yes (62.5%) No (37.5%)

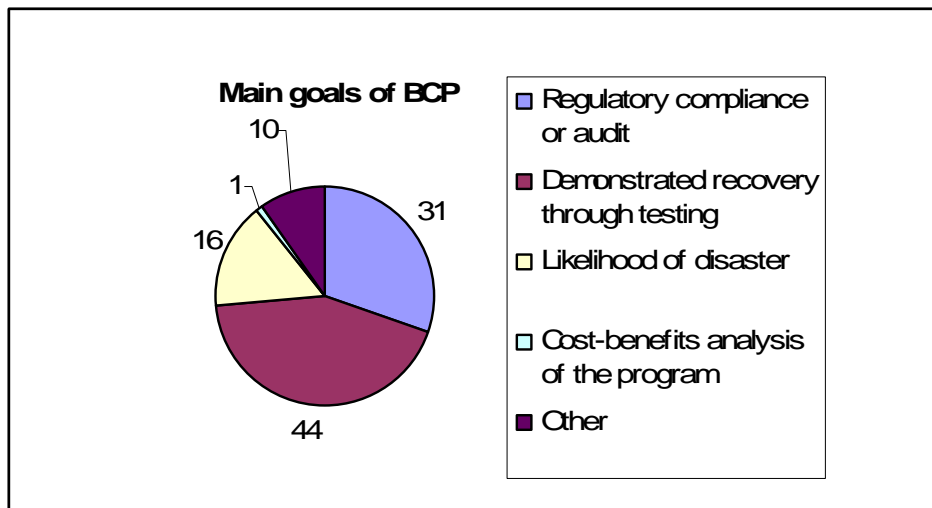
22) The BIA considers high-risk areas e.g. one building/site

Yes (85.9%) No (14.1%)

23) Global risks perceived as a real threat



24) Main goals of BCP



Developing and implementing BCM plans

60% of respondents have BCP in place. From the previous paragraph we found that those who have a BIA are around 80%, and we interpret this as an indication that in a number of organisations BCP is a work in progress.

The majority of respondents have a clear emergency response plan which includes liaising with a range of relevant parties but many have not yet tested the effectiveness of their plans.

Procedures for staff to access the plans in case of an emergency are being made by many organisations using a variety of tools.

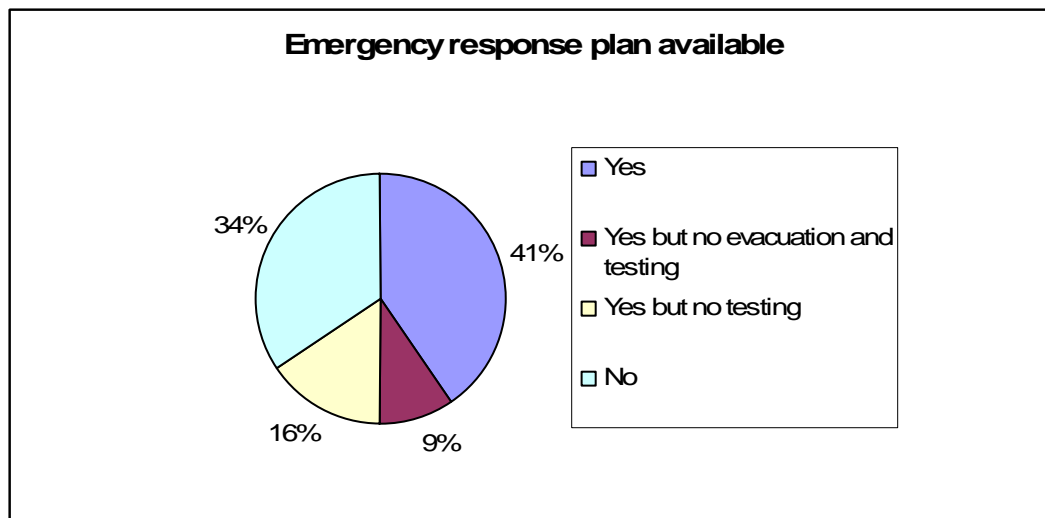
25) BCPs available for all the critical activities based on the current BIA, risk assessment and resource recovery requirements

Yes (60.9%) No (39.1%)

26) BCPs create predefined responses to a business disruption from the initial response to the point when the business functions are back to normal

Yes (76.6%) No (23.4%)

27) Clear emergency response plan available that documents evacuation procedures for different emergencies and their testing programme



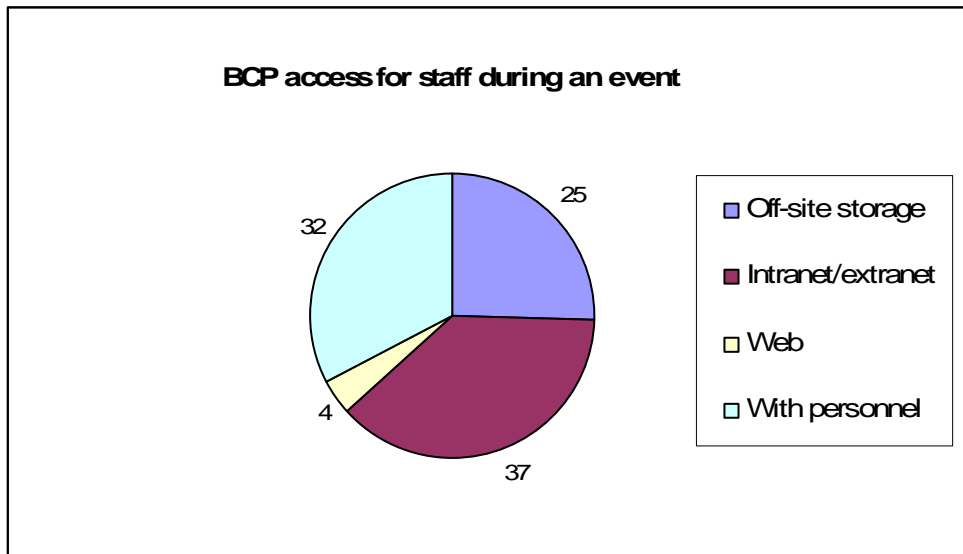
28) Plan includes liaising with local authorities, service utilities emergency services or recovery suppliers

Yes (84.4%) No (15.6%)

29) Audit process in place for the completion of the BCP task list after the plan has been invoked together with any additional ongoing tasks

Yes (64.0%) No (36.0%)

30) BCP easily accessible to staff who may need them during an event



31) Relationship with building manager to make sure to get information at the time of disaster

Yes (92.2%) No (7.8%)

Resource recovery and crisis management plan

Recovery of IT and critical records has been paramount in the work of the business continuity planner for more than a decade now and our results show that the status of this sector is more advanced than the past surveys indicate. We are pleased to see that current planning includes solutions to cover the gap between IT recovery and BCM needs. Also very positive is the fact that staff issues and welfare have been identified during planning.

Most organisations have identified, completely or in part, their crisis management team and its role. However not as many organisations have already written or updated their crisis management plan.

32) Welfare requirements of staff involved in critical activities have been identified in the BCP

Yes (79.7%) No (20.3%)

33) Clear backup, recovery and restoration procedures in place for critical records

Yes (90.6%) No (9.4%)

34) Business impact from loss of data driving more advanced or complex backup solutions

Yes (68.7%) No (31.3%)

35) Alternative solutions available to cover the gap that may exist between IT recovery and BCM needs

Yes (90.6%) No (9.4%)

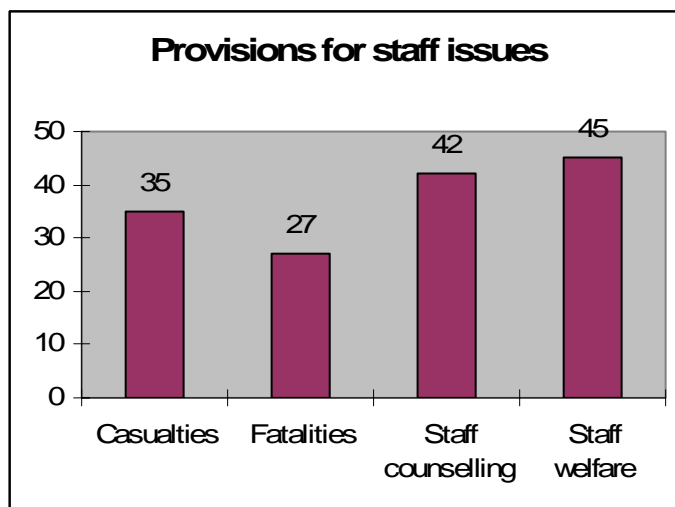
36) Clear and updated crisis management plan (CMP) available

Yes (68.7%) No (31.3%)

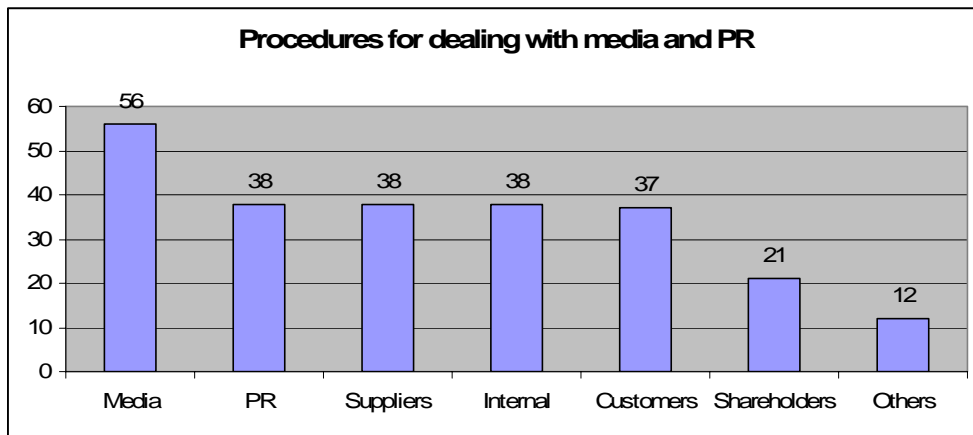
37) The CMP identifies a crisis management team and their responsibilities, accountabilities and authorities

Yes (81.2%) No (9.4%) Somewhat (9.4%)

38) The CMP contain procedures concerning staff issues



39) The CMP contains procedures for dealing with the media and PR during a crisis



Building a BCM culture in your organisation

About half of our respondents indicate that staff have been involved in BCM work. A few more indicate that staff is aware of media management during a crisis, and that the designated spokespeople have received recent media training.

Spokespeople who have been trained two years ago or more are unlikely to be able to manage the media during a crisis

Most organisations have some testing procedures in place. Those who have DR/IT only are very limited in the effectiveness of their testing. They should consider implementing other forms of testing that involve staff participation.

While more than half of our respondents have performed tests, the number of organisations which have not yet done so is still too high. Government and the financial sector are the areas where tests are most likely to be performed and audited. This is partly due to the need to meet compliance requirements.

Not surprisingly, since most plans are produced in-house, most respondents use a generic tool such as MS Word to manage them. A more specific software tool is not, in itself, an indication of the effectiveness of the plans, since each tool is as good as the information that is put into it.

25% of respondents indicated that their audit reports can be used to improve and expand the BCM programme. We note that many Government agencies have programs in place for this purpose, therefore a higher percentage of organisations might have given a positive response to our last question, had the Government respondents not been set apart.

40) Job descriptions contain BCM roles and responsibilities

Yes (46.9%) No (53.1%)

41) There is a formal BCM testing and/or training programme for all staff

Yes (48.4%) No (51.6%)

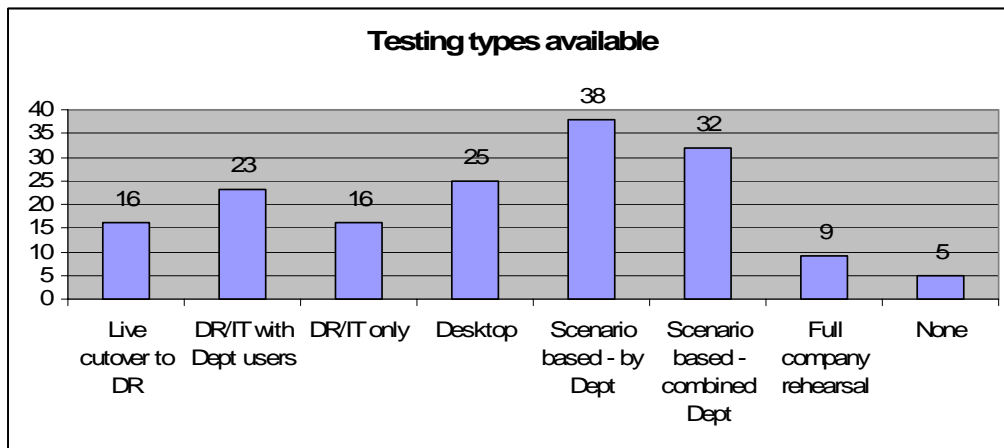
42) All staff are aware of the Media management process during a crisis

Yes (57.8%) No (42.2%)

43) The identified spokespeople have been given media training



44) Methods, types and techniques of testing available



45) Effective capability of BCM has been proven via testing

Yes (60.9%) No (39.1%)

46) Testing activities have been carried out against clear, documented and approved guidelines

Yes (57.8%) No (42.2%)

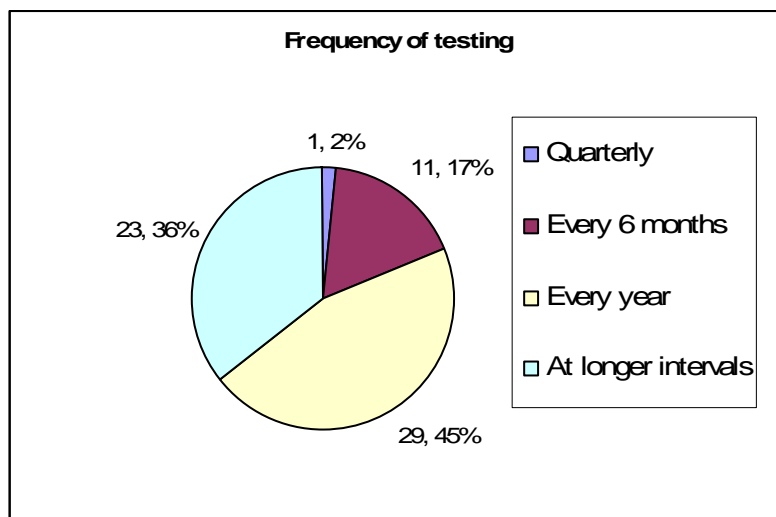
47) Standardised post-testing reports used

Yes (50.0%) No (50.0%)

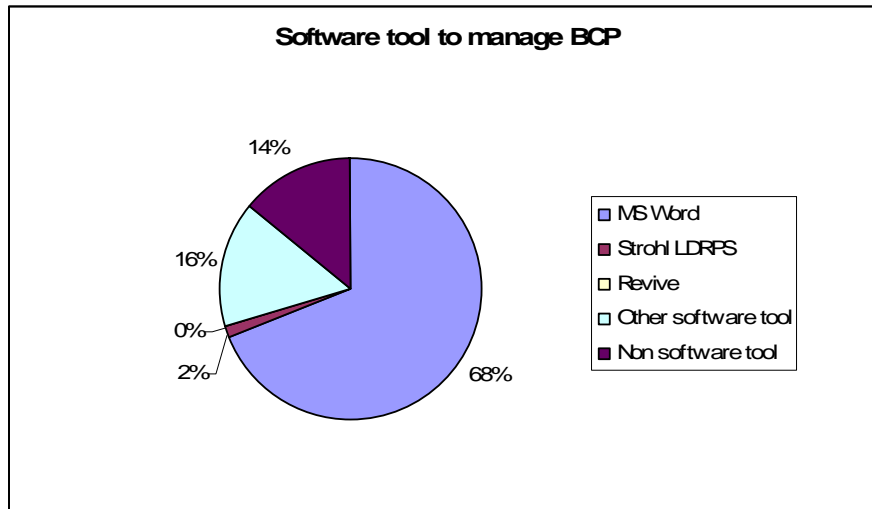
48) Clear and documented process that ensures that critical suppliers have effective BCM capability

Yes (37.5%) No (62.5%)

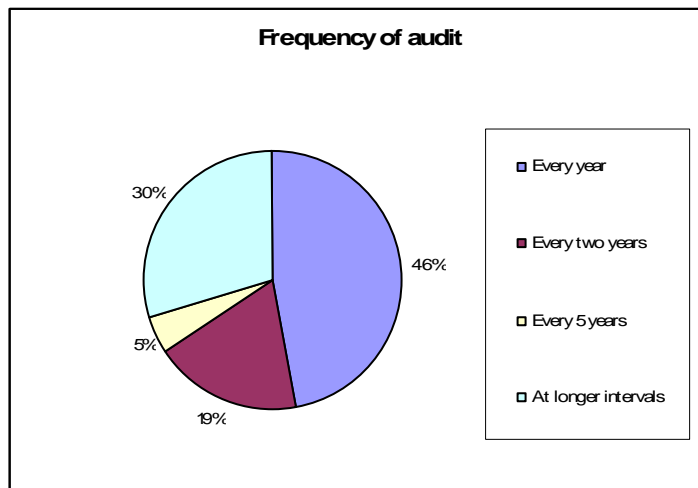
49) Frequency of testing



50) Tool used to manage plans



51) Frequency of BCP audits



52) Audit reports are able to identify business drivers that can be used to improve or expand the BCM programme

Yes (25.0%) No (14.0%)



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"Sharing knowledge, experience & promoting best practice in business continuity and disaster recovery planning"