



Still not prepared?

The results of a Marsh Business Continuity Management benchmarking study

Aug

Sep

Oct

Introduction

Increasing corporate governance scrutiny is forcing companies to focus on their risk management and in particular their business continuity strategy.

Marsh Ltd ('Marsh') in conjunction with The Continuity Forum is pleased to present the key findings from our recent survey on this topic.

Marsh solicited the views of Business Continuity Management (BCM) professionals from 100 organisations, who completed a web-based survey to gauge their perceptions on issues relating to BCM.

These professionals were drawn from delegates at the Business Continuity Expo, held on 15th and 16th March 2006 and organisations registered with The Continuity Forum, where the survey was open to its members.

The survey focused on five aspects of BCM:

- The organisation's own BCM
- The composition of BCM within the organisation
- Crisis management
- Supply chain
- Exercising the BCM strategy

We would like to thank participants for taking the time to contribute to the survey. If you have any queries about the survey, please contact the Risk Consulting Practice at Marsh and speak to our Business Continuity Management team.

Martin Caddick

Leader of Business Continuity Management
Marsh Ltd.

Still not prepared?

An integral part of an organisation's risk management should be a comprehensive business continuity strategy. This should encompass thorough risk identification, impact analysis, emergency response, disaster recovery, crisis management and business recovery plans, coupled with a robust exercising, review and audit regime.

Our survey shows that a year on from the terror attacks in London, business continuity is still not sufficiently on the radar of 39% of the organisations surveyed (**Figure 1**).

Whilst this means that more than half of respondents have Board understanding and support, business continuity management does not support, nor is in-line with, the organisation's strategic objectives and may not be integrated into their overall risk management programme (**Figure 2 & 3**).

More worryingly, two-thirds of organisations that took part in the survey have not implemented, nor have felt the benefits of having an effective BCM plan in place (**Figure 4**). This suggests that many would have had to have experienced a damaging incident in order to understand the need for an effective BCM plan or have Board level support.

Figure 1:
Top management understands BCM and provides its full support.

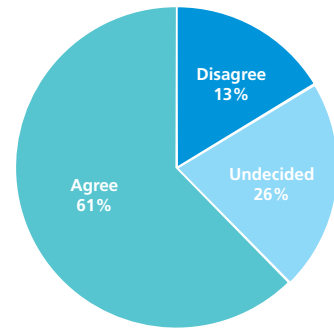


Figure 2:
Our current BCM fully supports and is in line with our organisation's strategic business objectives

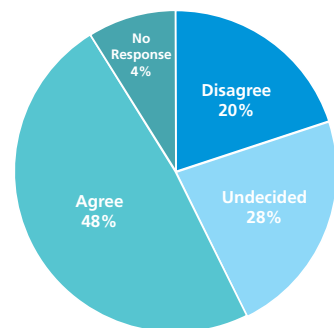


Figure 3:
BCM is integrated into our organisation's overall risk management programme.

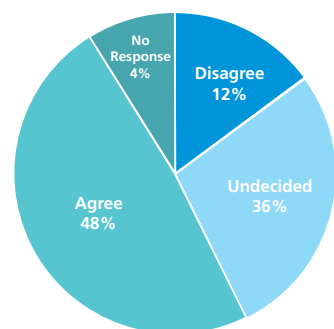
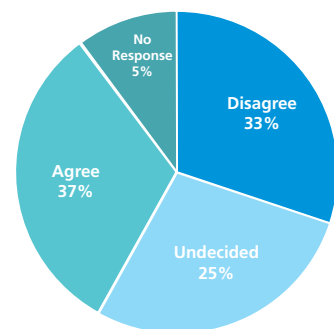


Figure 4:
We have had to invoke our BCM plan at least once and have seen the benefits of having an effective BCM programme in place.



Raising standards

Nearly half of all business leaders surveyed are unable to identify critical business processes and show knowledge of the importance of these processes to their organisations as a whole (Figure 5). There appears to be some complacency, as two-thirds are confident that their BCM is focused on recovering the critical business processes, despite struggling to identify them in the first place (Figure 6).

This is highlighted further by the fact that a number of organisations are prepared from an **asset** point of view for an onset of avian flu, but most have failed to look at the issue holistically and recognise the impact that removing large numbers of staff from their business would have (Figure 7).

Confusion over the PAS56 guidelines for business continuity may have contributed to this. The imminent arrival of the British Standard relating to business continuity, BS25999, which simplifies and clarifies the process of Business Continuity Planning, may help.

Figure 5: Department heads know the importance of each business process and have identified those which are business critical.

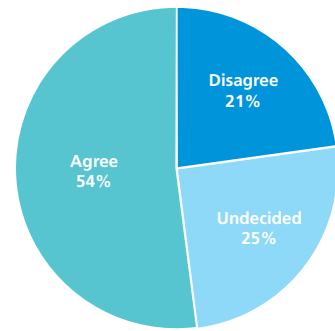


Figure 6: Our BCM is focused on recovering critical business processes and not just the IT and infrastructure that supports them.

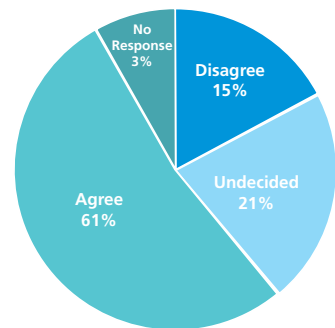
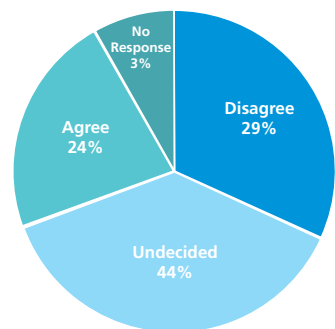


Figure 7: I am confident that our BCM would deal with the onset of an avian flu pandemic.



Handling a crisis

The 'spirit of the blitz' mentality in the face of a crisis dominates. Half of the respondents are confident that their senior management could respond to a major public crisis (Figure 10) and almost half believe that their senior management fully understand their role (Figure 8).

With only 38% believing that they have received the necessary training to effectively deal with a crisis (Figure 9), it is clear that the procedures and required information is not in place to deal with a crisis effectively. The fact that 40% have had to invoke their crisis management plans shows that planning for a crisis is necessary (Figure 11). Given that the average CEO tenure is around 10 years and during that time they will face at least one major crisis, this is an area that organisations can not afford to ignore.

Finally, with 56% of organisations not having had the 'benefit' of experiencing a real life crisis, a crisis management plan is the only way to ensure that any valuable knowledge or experience in dealing with a crisis is retained.

Figure 8: Our senior managers fully understand their role in dealing with a crisis and have procedures in place and all the information that they will need.

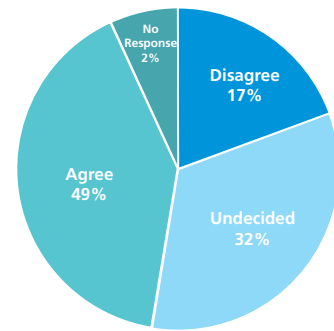


Figure 9: Our board of directors and senior management team have received all the necessary training to enable them to respond effectively to a crisis.

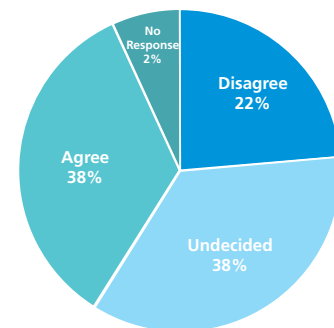


Figure 10: Senior management's ability to respond to a major public crisis.

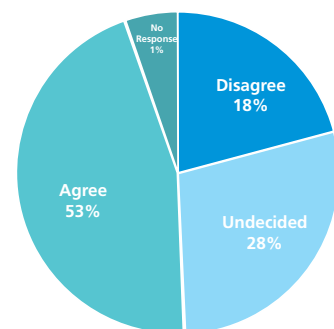
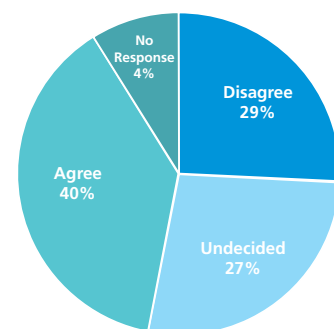


Figure 11: We have had to invoke our crisis management to deal with specific crisis and have seen the benefits of having the plan in place.



Maintaining a supply

As supply chains become increasingly complex and the need for control grows in importance, supplier dependency must be understood. Organisations are becoming ever reliant on their global supply chains and with this reliance come increased vulnerability to an interruption. Yet two-thirds of organisations have not examined dependencies on their suppliers or assessed their exposure to failures in the supply chain (**Figure 12**).

A staggering 68% have not assessed their suppliers' ability to deal with major disruptions, and have not involved them, or their customers, in the development and exercising of their plans (**Figure 13 & 14**). Despite this, 30% have suffered a business interruption as a result of a supplier or customer failure, and had a 'lucky escape' from its consequences (**Figure 15**). Presumably these are the same organisations that have now examined their supply chain dependencies!

Figure 12: My organisation has examined its dependencies on suppliers and assessed its exposure to failures in the supply chain.

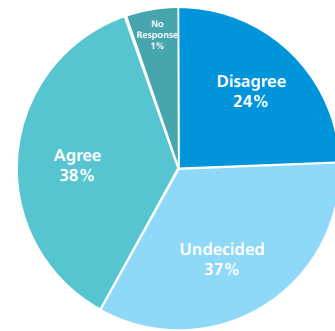


Figure 13: My organisation has assessed the recovery capability of its suppliers and customers.

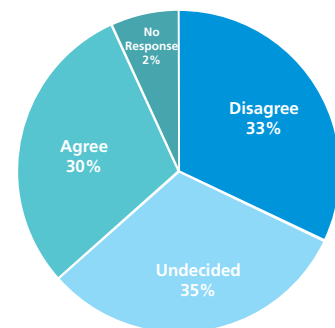


Figure 14: My organisation involves its suppliers and customers in the development and exercising of its plans.

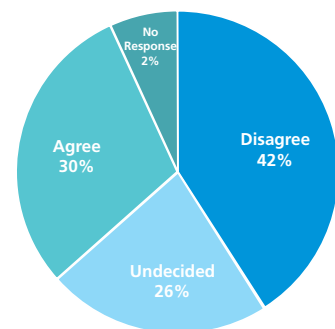
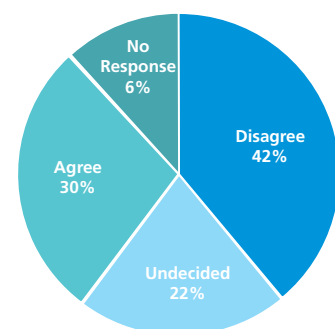


Figure 15: My organisation has suffered a business interruption as a result of supplier or customer failure and dealt effectively with its consequences.



Practice makes perfect

Exercising BCM plans is critical to ensure that plans are effective and produce the desired outcome. It allows stakeholders to be clear on the tasks required and their individual roles in order to produce an efficient recovery of the business in the event of an interruption.

Sadly 69% of our respondents felt staff would not know their role in the event of a major interruption at one or more of their sites (**Figure 16**).

Over half of the respondents do not exercise their BCM plan and all of its components annually, which suggests that these plans may fail or be ineffective due to changes in personnel, the business itself, or the market in which it operates (**Figure 17**).

With 59% of participants stating that senior management do not participate in BCM exercising there is the distinct possibility that the Board may not have the information to make correct decisions. Without exercising the BCM plan, it is unclear whether these plans would deliver the desired business recovery strategy (**Figure 18**).

Finally, only 28% of respondents have their BCM capability audited by an independent third party (**Figure 19**).

Figure 16:
All staff know what their role would be in the event of a major interruption at one or more of our sites.

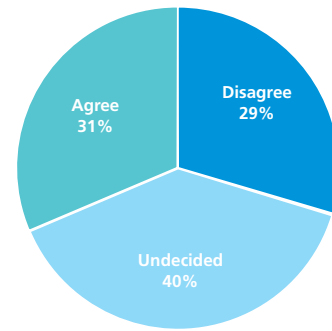


Figure 17:
My organisation exercises the BCM plan and all of its components at least once every year.

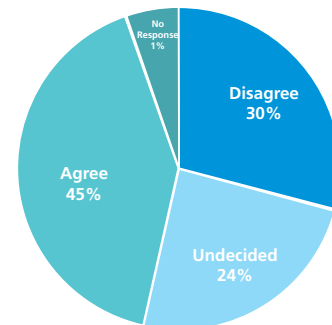


Figure 18:
Senior managers within my organisation participate fully in our BCM exercising.

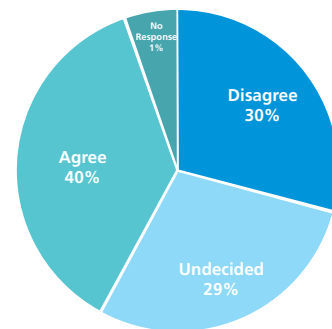
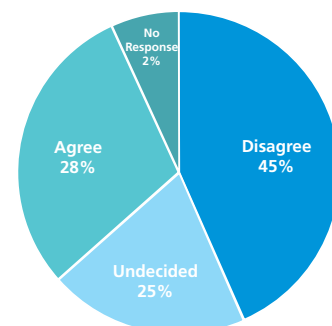


Figure 19:
My organisation has had all aspects of its BCM capability audited by an independent third party.



Conclusion

Lack of proper risk identification, impact analysis and robust BCM systems could affect an organisation in many ways. The direct financial implications of a badly managed crisis can be estimated but what does the damage to reputation cost?

Organisations spend years building their brands but a single event could wipe out this investment. Stakeholders are increasingly expecting more rigorous risk management controls to be in place to safeguard the future earnings of the company, and protect its share price. A diverse range of risks can threaten to impact an organisation's brand, that are not only straightforward BCM exposures but include environmental, strategic or financial risks. A badly managed crisis can mean that a reputation is wiped out overnight.

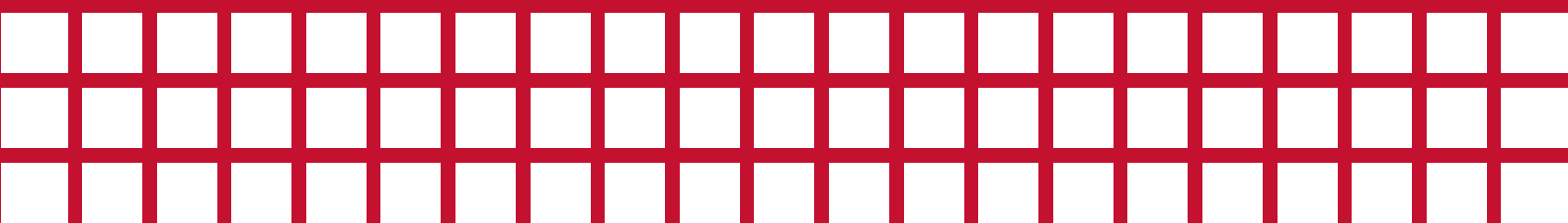
Marsh's view is that business continuity management should not stop at recovery of the IT systems; neither should it stop at the front door. All aspects of the organisation should be considered from suppliers to head office, from production through to customers.

By working with Marsh to identify, assess and manage your business continuity, your organisation has access to a team with market leading skills, experience and innovation in the business continuity field.

Our award winning Business Continuity Practice can work along side your existing risk management structure to produce a tailored approach to business continuity management.

Our solutions include:

- Business Impact Analysis
- Business continuity strategy and plan design and creation
- Business continuity programme management
- Supply chain risk assessment
- Crisis management
- Training, exercising and auditing
- Business interruption insurance reviews



The information contained in this publication provides only a general overview of subjects covered, is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Insureds should consult their insurance and legal advisors regarding specific coverage issues.

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