Business continuity management - would your company survive a crisis?

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The River Thames at Staines, January 2014
Photo credit: Tony Dudson

Many enterprises, particularly small to medium-sized enterprises, do not have a business continuity plan (BCP) in place. It may be that they think they do not need one, that they consider it an unnecessary expense to develop one, or simply that they do not know what one is.

This paper explains how you can calculate the cost to develop one, to see whether it is worth it for your company, and why Camtek CSI can offer you a cost-effective solution.

"The only thing harder than planning for an emergency is explaining why you didn't". anon.

According to government statistics:

- 80% of businesses suffering a major disaster go out of business within three years,
- 40% that suffer a critical IT failure go out of business within a year,
- Every one in five companies will face a major disaster.

A crisis can threaten the survival of your business at any time, and the most likely incidents to plan for are:

- Severe weather,
- Theft or vandalism,
- Fire or flood,
- Loss of utilities,
- IT system failure,
- Disruption to heat, light and power,
- Restricted access to premises.

To establish how much it will cost and whether to take or mitigate the risk we need to review five key points:

- **Measuring the risk**
- **Cost of risk v. planning break-even point**
- **The likelihood of an incident occurring and the cost**
- **Measuring the impact**
- **Accepting the risk**

Measuring the risk

In this case risk is measured by the likelihood of an event occurring that would have resulted in a BCP being invoked, if one was in place. And, the impact on the business of not having a BCP when such an event occurs.

Cost of risk v. planning break even point

If C = the cost of developing an effective BCP, and P = the likelihood of a BCP triggering event occurring and I = the financial impact to the business if a BCP is not in place, then the break-even point of NOT having a plan in place is: C = P x I.

Worked example:

If the financial impact on a company is £50,000 before normality is brought back to the business, and the likelihood of an event happening is a 20% chance (0.20), then the break-even point is £50,000 x 0.2 = £10,000. From this it can be seen that if the cost of developing an effective BCP is less than £10,000 then it's worth having the plan but if it is above £10,000 it may be worth accepting the risk. So as Camtek CSI typically charges an SME £3,500 for three days work to produce a plan, than clearly would you spend £3,500 today to avoid the liability of £50,000 later and going out of business.

A Chartered Management Institute survey carried out in 2013 concluded that during the snow in early 2013, organisations surveyed lost on average £52,770, due to the disruption including staff not able to come to work and cancellation of business meetings. So using the result of this and similar ones using £50K as a ballpark figure for this calculation is not unreasonable.

The likelihood of an occurrence and the cost

Since the 1970's the occurrence of natural disasters has increased, including climate-related disasters such as floods, storm surge, and coastal flooding. In the UK, the Thames barrier was closed 29 times between December 2013 and February 2014 to protect London from the most stormiest and wettest period for a century. This is particularly relevant if your building is in a low lying area or major facilities such as telephone exchanges are near to rivers. For example BT had major telephony and broadband outages in March 2014 in Southern England including Esher and Guildford.

Cyber-attacks are on the increase both on PC's and mobile phones including those with Android operating systems. On 8 April 2014 Microsoft ceased providing security updates for Windows XP operating systems and Office 2003 which means that continuing to use these products presents a serious risk as they are more vulnerable to hacking.

According to the British Computer Society – the Chartered Institute for IT – *only* 17 per cent of UK business leaders consider cyber security a major problem compared with 41 per cent of leaders in the US.

Companies now use more and more technology, computers, servers, mobiles, tablets, fibre and mobile broadband. These can become increasingly vulnerable to the weather, geomagnetic storms and solar flares, particularly those systems reliant on global positioning satellites. It is increasingly important to look at your back-up and disaster recovery policies.

Measuring the impact

Obviously the actual cost of an impact on a specific enterprise is not known, but when comparing itself with an enterprise that has invoked a BCP it is reasonable to assume that a serious disruption would mean the following.

- The enterprise would take a long time to respond to an event,
- It would take longer, or may never restore its critical functions,
- Staff are likely to make more incorrect decisions in the early stages of recovery,
- Company would have difficulty in communicating with staff, customers, suppliers and stakeholders.

This is only the start, cost will also include things that are not or cannot be insured. Most SMEs would not be insured against things such as:

- Costs of additional working hours
- Loss of revenue due to business interruption (may partly be insured against)
- Loss of customers
- Loss of business opportunities
- Loss of brand identity and reputation

Accepting the risk

It is important to review the preceding paragraphs and consider very carefully what the likely risks are for your company. It is then necessary to do the break even calculations and what the typical costs of a disaster would mean for you, before deciding whether to mitigate these costs or take the risk.

Having an effective and tried-and-tested BCP in place will limit the short and long term effects on your business operations, reputation, branding, customers, suppliers and stakeholders.

Conclusion

One of the main issues is that many owners of small to medium-sized enterprises are very busy in their daily tasks that they often fail to take on-board business continuity planning. But in a competitive world it is necessary to come back up to speed after a BCP critical event to safeguard brand, reputation and profits.

Companies that rely on central or local government funding usually need to provide an adequate BCP to demonstrate that both customers and the supply chain are protected when a serious incident occurs. Similarly companies that have to satisfy compliance rules, such as financial services companies, need to take these matters seriously as a matter of due-diligence and protection of reputation.

Considering whether or not to have a business continuity plan, even a simple one, should be obvious; but creating an effective one needs the full support of senior managers and stakeholders. It is also important to consider whether the skills to develop one are available in-house or that the services of a business continuity consultancy should be retained.

Camtek CSI assist firms in business issues relating to cyber-security, business continuity/disaster recovery and digital forensics. We can carry out a risk assessment of your company to identify any potential threats which may impact on your ability to successfully operate during a period of crisis, and develop a business continuity plan for you.

Camtek CSI operates mainly in London and the South East, but also takes referrals from the UK nationwide and Europe.

For more information please visit our website at www.camtekcsi.com, or email us at: enquiries@camtekcsi.com .

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Further reading:

Musgrave, B and Woodman, P (2013), *'Weathering the storm – The 2013 business continuity management survey'*, Chartered Management Institute, London.

Daily mail reporter (2014), *'It could be even worse! Thames Barrier has been closed 29 times in the past 10 weeks to protect London – a fifth of its total use since being built in 1983'*, Mail Online, London. http://www.dailymail.co.uk/news/article-2557879/It-worse-Thames-Barrier-closed-29-times-past-10-weeks-protect-London-fifth-total-use-built-1983.html .

Jackson, M. (2014), *'UK storm damage gives BT Openreach engineers a busy start to 2014'*, ISP Review, UK. http://www.ispreview.co.uk/index.php/2014/01/uk-storm-damage-gives-bt-openreach-engineers-busy-start-2014.html .