



Building a Continuity Culture

A survey of Canadian
decision makers on
Business Continuity
Planning

KPMG LLP

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The discipline of Business Continuity Planning helps organizations manage risk to critical business systems – including shared computer systems and communications networks – from natural, man-made or political events that threaten a company’s ability to conduct business.

Elements of a Business Continuity Plan

Service – the definition, real-time monitoring and management of performance criteria tied to business service goals.

Availability – the design and implementation of resilient and scalable technology infrastructure underpinned by robust IT management practices focused on delivering information at the required service levels.

Recoverability – the design and implementation of technology solutions to deliver rapid restoration of information availability.

Business continuity planning assumes a worst-case scenario, in which an external event renders the primary business location totally inaccessible or otherwise unusable for an extended period of time. Examples of such events include extended loss of electrical power, an earthquake or fire that demolishes a company’s building, or a flood that makes the building inaccessible or results in significant loss of records and equipment.

In today’s environment, business continuity planning is increasingly seen as a strategic business investment whose benefits far outweigh its costs. The effects of a long-term interruption of critical business functions may be devastating to the business. And the “long term” may be as little as 15 minutes for some organizations (such as a company with a large number of customers that does business through the Internet). Furthermore, companies are bound by legal and board member obligations to protect the lives and assets of the corporation.

The development of a business continuity plan must, therefore, involve not only the providers of the organization’s information technology services, but also the business areas using those services, and senior management responsible for the life and health of the organization. A “continuity culture” must be in place at all levels, with clear roles, responsibilities and reporting processes in place. A key challenge is to keep management focused on the importance of sustained attention to consideration of business continuity in planning, operational and budgeting activities.

Survey Highlights

During the fall of 2005, KPMG's Advisory practice engaged Ipsos-Reid to seek the views of senior Canadian decision makers on how their organizations are dealing with business continuity planning as part of Ipsos' Executive Panel program. A total of 254 senior executives involved in business or IT management were involved in the survey, which utilized both telephone interviews and on-line questionnaires.

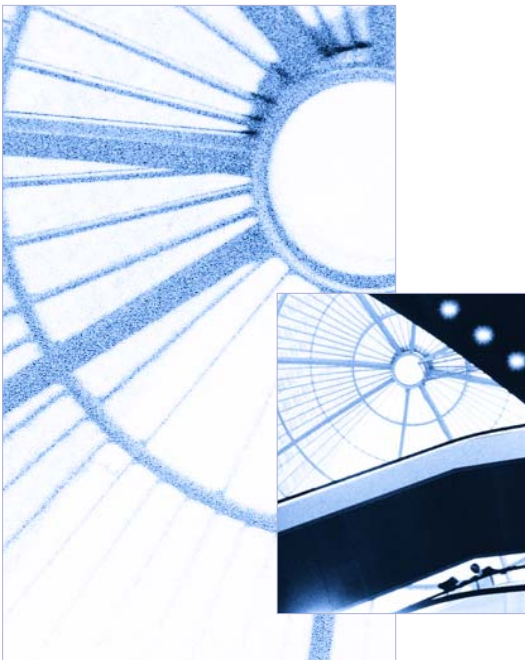
The survey results show that the awareness of the need for effective business continuity planning is well entrenched in Canadian companies. A sizable majority of respondents (83%) indicated that they have procedures in place to ensure the continuation and recovery of business services and processes in the event of a disruption.

Business Continuity Plans Managed Internally

A majority of companies indicated that they manage and test their business continuity plans internally. Eighty-one percent (81%) of companies overall perform this function in house with a slight prevalence in the very large enterprise segment (88%) as well as in the Financial Services group (89%). Figures 1 and 2 (below) present detailed views by market size and industry group.

Business Continuity is a Challenge to Manage in Outsourced Environment

Forty-one percent (41%) of companies overall believed that business continuity is a challenge to manage in an outsourced technology environment. This finding is most prevalent in the very large company segment, where 50% of companies reported this finding. The Services sector is most sensitive to managing business continuity in an outsourced environment, with 44% of companies from this group citing this issue as a challenge (compared to 41% overall).



New Regulatory Requirements Drive Business Continuity Plans

Half of the responding companies (51%) reported that they believe market and regulatory requirements demand an effective and tested business continuity plan. There was a slightly higher percentage of companies in the very large enterprise segment (53%) that felt this way. A significantly higher proportion of companies from the Financial Services sector believed that regulatory requirements demanded an effective business continuity plan, with 74% of companies from this vertical group, as compared to 51% overall (see sidebar, *Business Continuity as a Compliance Issue*).

Nearly One-Third Use External Service Providers for Business Continuity

Twenty-eight percent (28%) of companies manage their business continuity plan with the assistance of an external provider. There is a higher reliance on external support in the very large enterprise segment (38% of companies from this segment). Companies in the Financial Services sector showed the highest preference for usage of an external service provider, with 41% of companies from this group (compared to 28% overall).

Close to one quarter of companies (22%) have not been able to justify the costs of business continuity plans. Most of these companies are focused in the large enterprise segment of 500-999 employees (30%). There is a very slight and insignificant variation by industry group.

Business Continuity as a Compliance Issue: The IDA Takes Action

Within Canada's financial sector, there is a growing awareness of risks presented by natural and other disasters to the integrity of the capital markets. As a result, new regulatory requirements are moving Business Continuity Planning towards centre stage on management's agenda. The investment dealer industry provides a leading example.

In July 2005 the Board of Directors of the Investment Dealers Association (IDA) approved By-law 17.19, Business Continuity Planning (BCP) requirements. The new By-law requires that all IDA Members have a documented BCP, implemented and tested by of July 31, 2006. The adoption of this By-law makes it a requirement for all IDA Member firms to have a documented and tested business continuity plan. The objective of requiring an IDA member firm to have a BCP is to provide clients with access to their assets within a maximum of 48 hours following a significant business disruption. The IDA board has defined access to assets to mean the ability of the clients to buy, sell or redeem securities and have assets (including funds) delivered out based on clients' instructions.

Compliance to By-law 17.19 means that each IDA Member firm must:

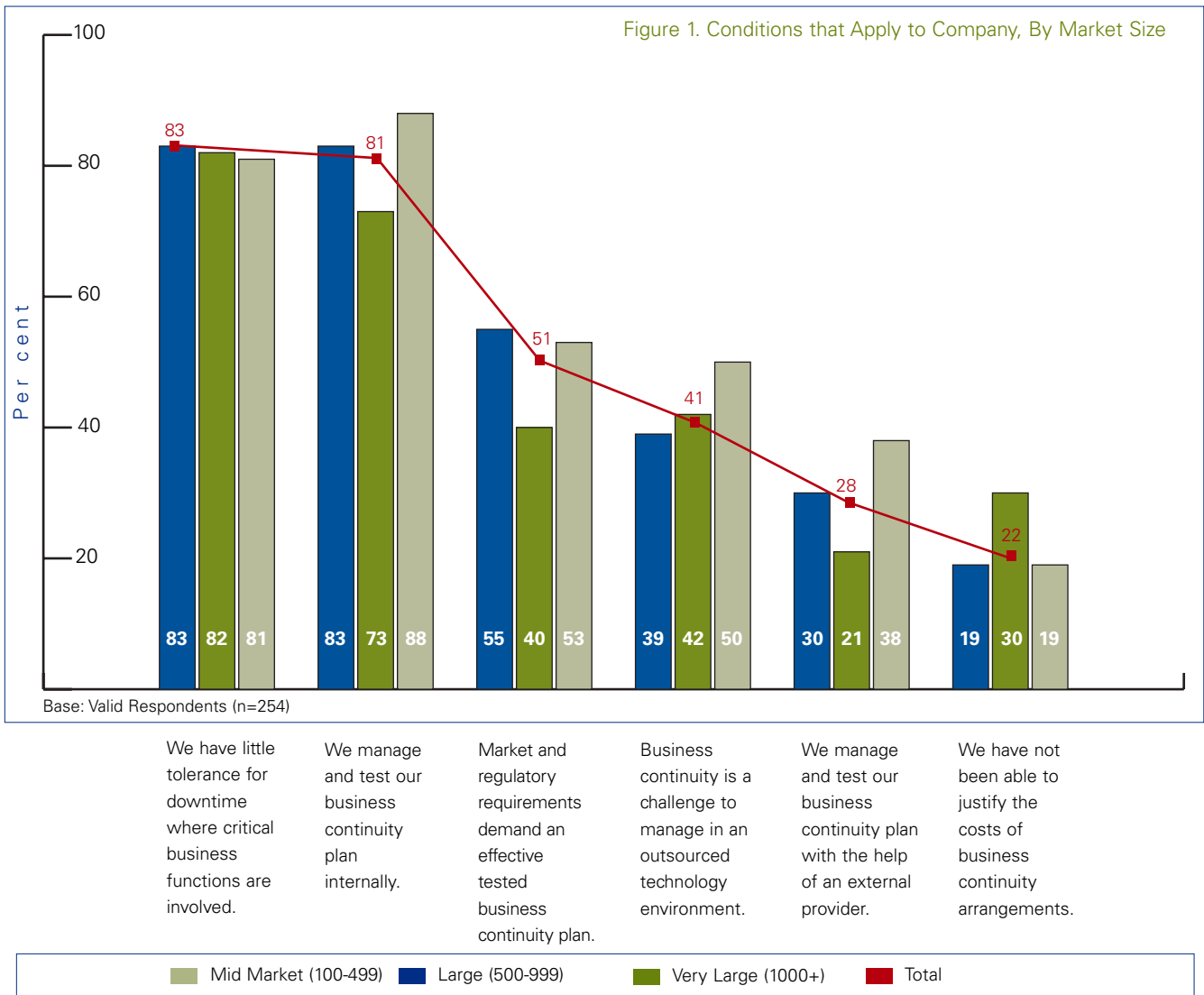
- Designate a member of senior management to be responsible for Business Continuity Planning.
- Have a documented Business Continuity Plan that assures clients can access their assets within 48 hours following a significant business disruption. The Member's BCP may be a collection of individual plans, but must be based on the results of Business Impact Assessments.
- Ensure that the BCP complies, at minimum, with the requirements specified in the IDA's BCP Guidelines and in the IDA's BCP Adequacy Checklist.
- Keep the BCP up to date at all times and test their BCP at least annually.

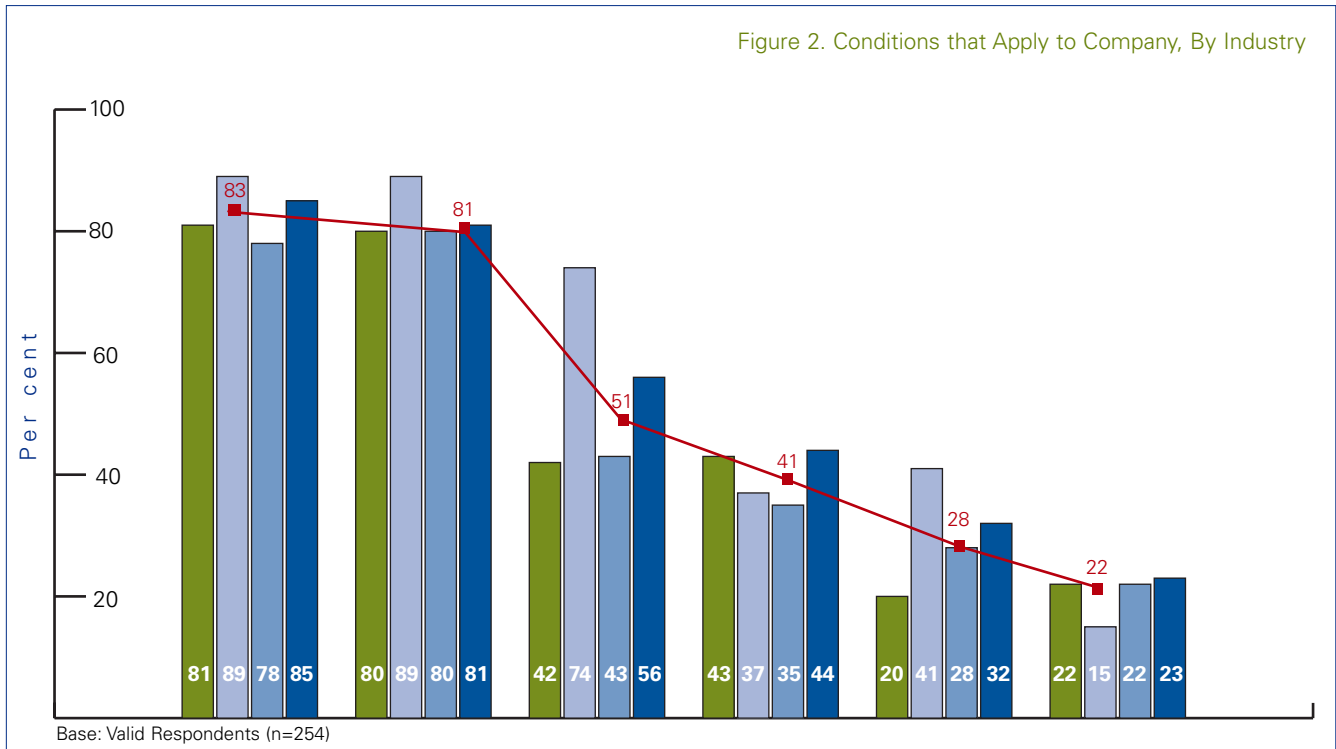
Key to the IDA By-law is the requirement to have the BCP reviewed by an independent third party who would report to the IDA on the adequacy of the Member's BCP.

Low Tolerance for Downtime

Companies overwhelmingly agreed that they have little tolerance for downtime where critical business functions are involved. Eighty-three percent (83%) of companies reported a low tolerance threshold when it comes to downtime, providing clear indication that reliability is a highly significant requirement in most mid and large size businesses. This finding was unanimously important across all market sizes and vertical groups.

Figures 1 and 2 present further detail by market size and industry group.





We have little tolerance for downtime where critical business functions are involved.

We manage and test our business continuity plan internally.

Market and regulatory requirements demand an effective tested business continuity plan.

Business continuity is a challenge to manage in an outsourced technology environment.

We manage and test our business continuity plan with the help of an external provider.

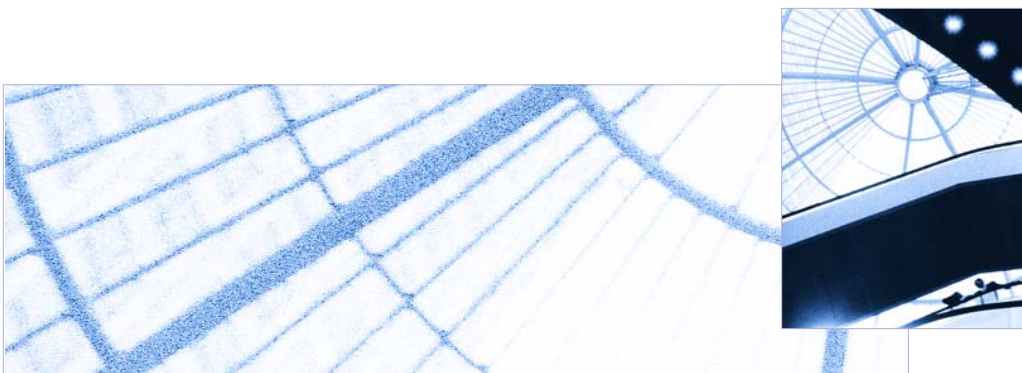
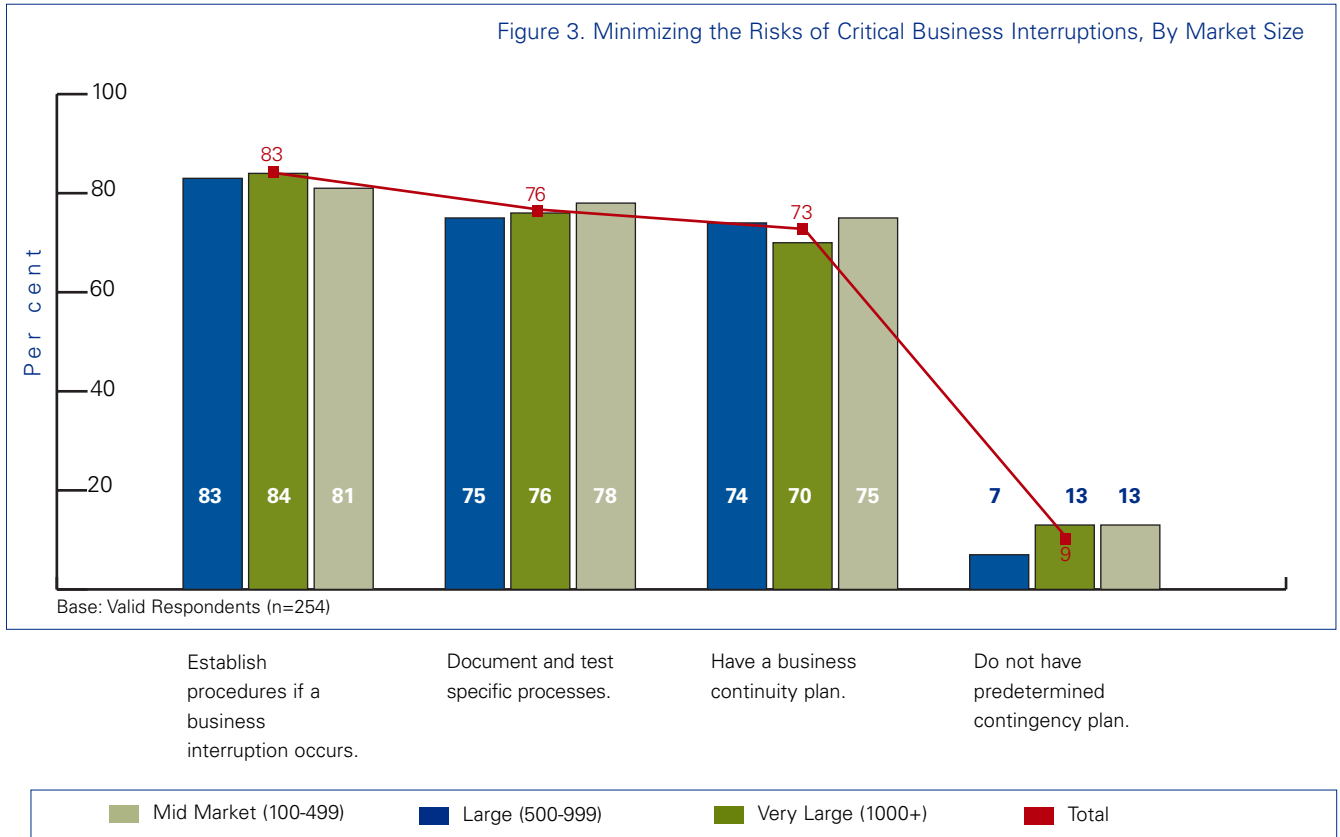
We have not been able to justify the costs of business continuity arrangements.

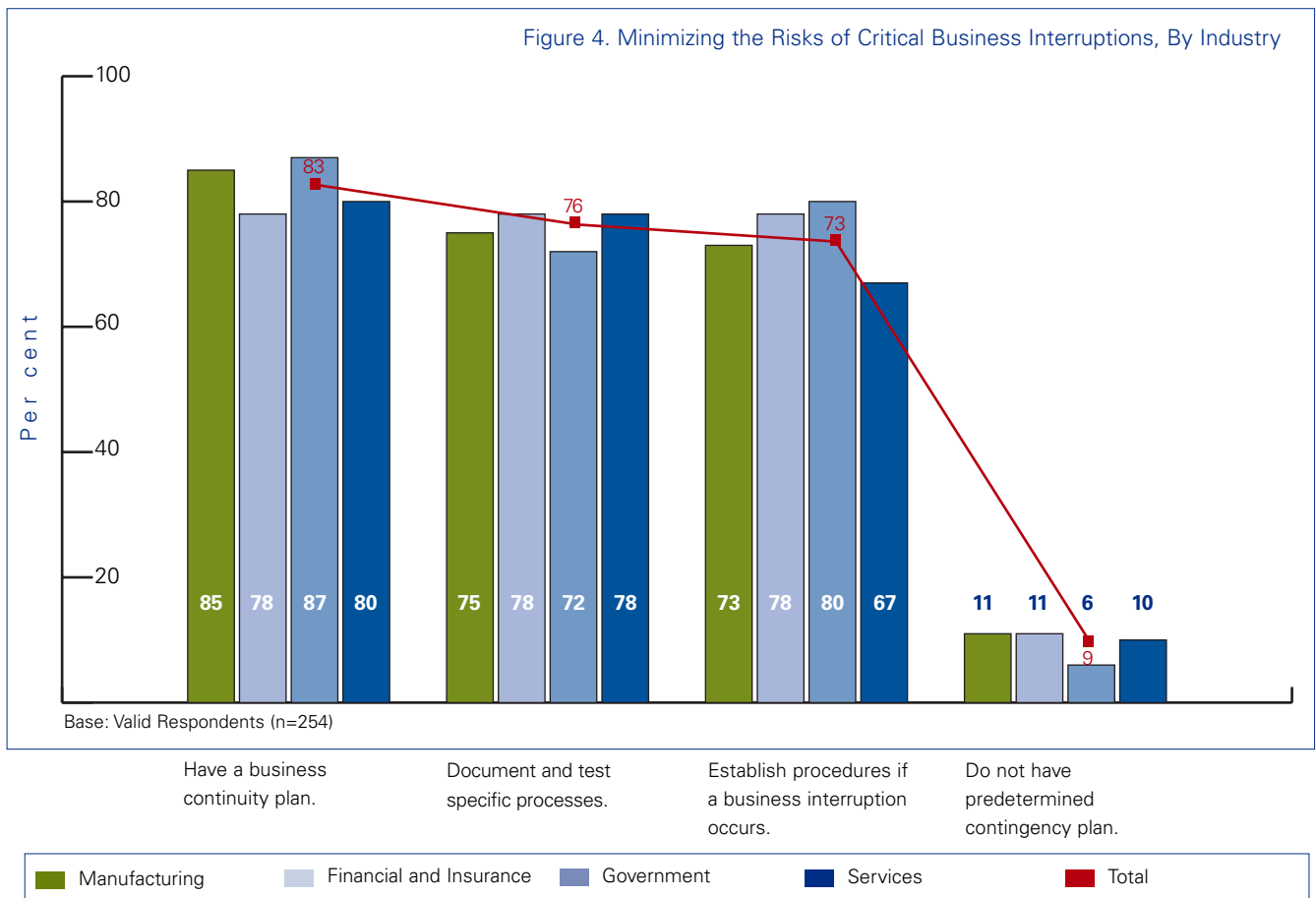


Minimizing the Risk of Critical Business Interruptions

A majority of companies reported the establishment of procedures to reduce the risk of critical service and business functions from being interrupted. Eighty-three per cent (83%) of companies in this study indicated that they have procedures in place to ensure the continuation and recovery of business services and processes in the event of a disruption.

Only nine per cent of companies reported that they do not have a contingency plan in place to reduce this risk of critical interruptions. Three quarters (76%) of the responding companies stated that they document and test specific processes, and 73% indicated that they have a business continuity plan in place to prevent disruptive or prolonged interruptions. There was very slight variation by market size and industry group, as shown in Figures 3 and 4





Survey Methodology

The research for this study is based on primary data collection. A total of 254 companies were selected to participate. Data was collected from October to December 2005.

One senior respondent was qualified and interviewed from each company. The prerequisite qualification for respondents was that they be senior decision makers within their company in either an IT or business executive capacity. This included CIOs, CTOs, Directors and Managers; business executives included CEOs, Presidents, CFOs VPs, LOBs, Directors and Senior Managers.

The research was conducted using two parallel approaches: an on-line survey and a telephone interview. No aspect of the survey or interview was revealed to the respondent prior to the interview to ensure the validity and spontaneity of responses.

A sample of this size provides an overall margin of error of +/- 6.19 percentage points, 19 times out of 20.

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KPMG's Advisory practice offers a suite of high-impact services that can help organizations to build value during a time of change. The practice includes a dedicated team of Business Continuity professionals who assist clients in identifying risks and enhancing their preparedness for unexpected business interruptions. For further information contact:

Graeme Booth, Advisory Services, Toronto, 416 777-8356, gbooth@kpmg.ca

Mike Moszynski, Advisory Services, Toronto, 416 777-8007, mmoszynski@kpmg.ca



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