



2006 AT&T Business Continuity Study Results Summary

2006 Survey Highlights

- **In the wake of Katrina, more companies consider business continuity planning to be a priority, but a significant number still don't see its relative importance.**

Business continuity planning is more of a priority to IT executives and their organization in 2006 -- 70% say it's a priority versus 60% in 2005. However, more than one-out-of-four (28%) still say business continuity planning is not a priority or "not important," despite the effects of several natural disasters in the United States in 2005, indicating companies are *still* taking unnecessary risks with their financial futures. In addition, a surprisingly high percentage (22%) of companies that say they have suffered from a disaster in the past don't consider business continuity planning to be an organizational priority, despite the fact that an equal number (22%) of these companies which have suffered from a disaster say previous disasters cost them \$100,000 or more in revenue *a day*.

- **In addition, a large number of organizations still don't take specific protective actions when state or federal governments issue warnings for an impending disaster.**

Despite the devastating effects of these natural disasters on parts of the United States last year, just 50% of companies surveyed say they implement specific protective actions when the state or federal government issues an alert for an impending disaster.

- **However, the impact of the 2005 hurricane season on continuity planning perceptions is indeed evident.**

Overall, 42% of those who have been impacted by a disaster in the past say they were affected by Hurricanes Katrina and Wilma -- including 50% of those who have updated their plan in the last 6 months, underscoring the impact of the storms on the nature of business continuity planning.

- **Viruses, worms, and spyware remain the most significant perceived threat to organizational cyber security -- and by a significant margin.**

All told, 78% of IT executives surveyed agree viruses, worms, and spyware are one of the three most significant threats to their networks, followed by "hackers" at 43%. Other threats to cyber security include SPAM (37% in 2006 versus 44% in 2005), an internal accident (27%), and internal sabotage (23%). Just 1% said that the threat of natural disasters taking down their network is one their three most significant concerns when it comes to cyber-security.

2006 Overall Results Summary

Priority of Business Continuity Planning

Overall, business continuity planning is more of a priority than it was last year – 70% versus 60% in 2005. However, more than one quarter (28%) say it's still not a priority.

- Companies with more than 500 employees are more likely to consider business continuity planning a “priority” than companies with less than 500 employees (76% versus 68%, respectively). However, both segments consider continuity planning to be more of a priority than last year (65% and 56% in 2005, respectively).
- Large companies, in particular, say business continuity planning has become more of a priority in recent years due to natural disasters, security threats, and terrorist attacks, including 39% of those with more than 500 employees and 35% of companies with more than \$25 million in annual revenue.
- However, more than one quarter (28%) say it's still not a priority, especially companies who haven't updated their business continuity plans in the last 12 months (36%). This includes a surprisingly high percentage (22%) of companies that say they have suffered from a disaster in the past.
- In addition, 41% of companies without a business continuity plan say business continuity planning is an organizational priority – yet 14% of companies who say business continuity planning is a priority have no business continuity plan.
- In addition, 50% of those who don't consider business continuity planning to be a priority says it's because the probability of a disaster causing a disruption at their company is “too small.”

The Importance of Having a Business Continuity Plan

Nearly three quarters (73%) of IT executives surveyed say their organization has a business continuity plan, up slightly (+ 6 percentage points) from 2005. Once again, companies with more than 500 employees or more are slightly more apt to have a plan (79% versus 70% with less than 500 employees).

- Not surprisingly, companies which have suffered from a natural disaster are most likely to have a plan (84%).
- In all, 84% of companies which consider business continuity planning to be a “priority” have a business continuity plan compared to 46% of those who don't consider it to be important or a priority.
- Eight out of 10 companies (80%) who have a business continuity plan have updated it in the last 12 months, including 48% who say its been updated in the last 6 months.

- Tellingly, this number of companies that have updated their plan in the last 6 months increases to 53% of those who consider business continuity a priority versus just 25% of those who don't consider business continuity a priority.

Three out of five companies (61%) say they've tested their plan in the last 12 months, again up slightly from last year (56%).

- Yet a high and comparable number still say their plan hasn't been tested in over a year (20% in 2006 versus 23% in 2005) and an additional 16% concede their plan has never been tested (17% in 2005).
- Not surprisingly, 56% of companies who don't consider business continuity planning a priority either haven't tested their plan in the last 12 months (33%) or haven't tested their plan at all (23%). This stands in stark contrast to just 18% of companies who consider business continuity an organizational priority that haven't tested their plans in the last 12 months or at all (14%).

Protective Actions for Government Warnings

Despite the devastating effects of natural disasters on parts of the United States last year, just 50% of companies surveyed say they implement specific protective actions when the state or federal government issues an alert for an impending disaster.

- This increases to 58% among companies which have experienced a disaster in the past, but shrinks to 47% among companies which have never experienced a disaster.
- Fifty-three percent (53%) of companies which consider business continuity planning a priority take specific protective actions when prompted by a government warning, compared to just 38% of companies that do not consider business continuity planning a priority.
- In addition, 59% of those who say "business continuity is important but not an organizational priority" say they take no specific protective actions when an alert for an impending disaster is issued, as well as 46% of companies over \$25 million in annual revenue.

Implementing Business Continuity Measures

Overall, most (70%) companies surveyed say they've at least implemented Internet security measures such as firewalls, intrusion detection, hacker protection, and/or password authentication systems – compared to 74% in 2005 -- while 97% of those who already have a business continuity plan in place have implemented these security measures.

- Furthermore, 82% of those who have a plan in place say they've established backup or redundant servers or are educating employees of its business continuity plan in case of a disaster. Another 45% of those who have a plan in place say they've used a service provider for outsourcing.

- Overall, 33% of companies say they've used a business continuity service provider for outsourcing versus 30% in 2005, including 45% of companies who say business continuity planning is a priority, compared to 38% last year.
- These numbers are largely consistent among companies of varying sizes.

Suffering from a Disaster

In all, 28% of those surveyed say their company has suffered from a disaster, including 33% of companies with more than 500 employees, 32% of those with a business continuity plan, and 34% of those who've updated their plan in the last 6 months.

- By contrast, just 18% of those who *DO NOT* have a business continuity plan and 22% who don't consider business continuity planning a priority say they have never suffered from a disaster.
- Overall, 16% of those surveyed say they suffered from one of last year's hurricanes – Katrina, Rita, or Wilma.
- Hurricanes are also seemingly the most common disaster – 56% of those who have been impacted by a disaster say they suffered from the effects of hurricanes Wilma, Katrina, and Rita, alone.
- Blackouts have also adversely affected a significant number of organizations, including 65% of those who updated their business continuity plan 6-12 months ago.
- Overall, 42% of those who have been impacted by a disaster say they were affected by Hurricanes Katrina and Wilma – including 50% of those who have updated their plan in the last 6 months, underscoring the impact of the storms on the nature of business continuity planning
- Three-quarters (73%) of companies that suffered from a disaster say they lost money because of it, up from 65% in 2005. Once again, most (50%) say they generally lost less than \$100,000 a day (compared to 45% in 2005), and 14% added they lost \$100,000 to less than \$500,000 (16% in 2005). In all 5% of those who suffered from a disaster say it cost them \$1 million or more per day (up from 3% in 2005), including 3 companies who said it cost more than \$5 million per day.
- More than one quarter (28%) of IT executives who say their company suffered from a natural disaster say it “negatively impacted customer relationships” and 22% added that it resulted in “reductions in the employee workforce.” Notably, 30% of companies with more than 500 employees say the disaster, for them, resulted in employee reductions. Other consequences of experienced disasters: loss of employee confidence (13%), negative impact on supplier relationships (10%), as well as a “tarnished” external reputation for their company (8%).

- More than three-fourths (78%) of companies which suffered a natural disaster say they have taken actions to reduce business interruptions in the future, up slightly from 75% in 2005. However, one-out-of-five (20%) of those companies that have suffered from a disaster haven't taken any actions to reduce business interruptions in the future.

Cyber Security

Eighty-one percent (81%) of executives surveyed say cyber security is part of their overall business continuity plan in 2006, up from 75% last year.

- However, close to one-in-five respondents (17%) say that cyber security is NOT part of their overall business plan, including 21% of the smaller set of companies surveyed – those between \$10 million and \$25 million in annual revenue.
- Nearly nine-out-of-ten companies (86%) with more than 500 employees say cyber security is part of their overall business continuity plan.
- In addition, 86% of companies where business continuity planning is a “priority,” say cyber security is part of their plan, compared to just 68% of those at companies where it isn't a priority.

Of those who say cyber security is part of their overall business plan, most (84%) say “educating employees” is one of the steps they have taken (compared to 89% in 2005), followed by “defining corporate security policies,” (80% in 2006 versus 83% in 2005).

- In all, 33% say they've contracted an outside service provider to manage security, up slightly from 27% in 2005.
- Also, 88% of companies with more than 500 employees say they've “defined corporate security policies” versus 77% of those with less than 500 employees.
- Conversely, 35% of those with less than 500 employees say they've “contracted an outside service provider to manage security” compared to 26% of companies with MORE than 500 employees.

Across the board and by a significant margin, viruses, worms, and spyware remain the most significant threat to cyber security in the minds of IT executives surveyed; 78% agree these are one of the three most significant threats, followed by “hackers” at 43%. Other threats to cyber security include SPAM (37% in 2006 versus 44% in 2005), an internal accident (27%), and internal sabotage (23%).

- SPAM is seen as a bigger concern for companies with less than 500 employees – 39% say it's one of their top three threats versus 33% of companies with more than 500 employees.

There is an increasing number of IT executives who see cyber security as a “top concern” for their organization. In all, 28% rated it as a 5 on a scale of one to five -- where five means cyber security is a top concern and one means cyber security is NOT a concern – compared to 22% in 2005.

- Cyber security is much more of a “concern” among those who consider business continuity planning a organizational priority versus those who do not. In all, 68% of those who think business continuity planning a “priority” say cyber security rates a four or five on a five-point scale, compared with 39% of those who do not consider business continuity planning an organizational priority.
- The overall mean score remained relatively the same -- 3.7 in 2006 from 3.6 in 2005, indicating cyber-security remains a relatively moderate priority for IT executives, despite heightened business continuity planning efforts.

Methodology

These results are based upon 1,000 telephone interviews conducted by Western Wats and Opinion Research Corporation among Chief Information Officers and other senior IT executives from companies with over \$10 million in annual revenue. All respondents were screened to ensure they are a senior decision-maker with responsibility for handling information technology at their respective organization.

One hundred interviews were conducted in ten selected markets Atlanta, Chicago, Dallas, Detroit, Los Angeles, Miami, New York City, St. Louis, Seattle, and Washington D.C. Interviews were conducted January 17- May 9, 2006.