

Continuity and the crunch

Deborah Ritchie considers the effect of the economic crisis on the business continuity industry

It is accepted that change exacerbates the risk management dynamic. The perception of change and the anxiety that surrounds it have together created an environment in which this dynamic is further complicated. The growth of crisis management is one example of the way in which businesses have over the last 20 years really begun to take the issue of risk management to another level. Some would even argue that it is more important than business continuity management itself.

Whether or not this is the case is academic at the moment, for, despite these concerns and trends, the reality that results from the current economic crisis is that most of the big buyers in crisis management – the financial services organisations – are freezing or cutting their budgets. Where the crisis management companies are still getting contracts is in other sectors such as telecoms, oil and gas, and some of the larger supermarket chains, for instance. One commentator points out that their contracts with multiple organisations working together are still safe, and that deals arising out of M&A and global programmes are still a good source of business.

M&As, meanwhile, may not be having such a positive effect on business continuity programmes and teams, with teams from failed banking institutions facing the axe as their business continuity management functions are absorbed by the acquiring company's staff.

Business Continuity Personality of the Year 2008, Mike Osborne (pictured), who is managing director of ICM Continuity Services, current holder and three times winner of the Business Continuity Service Provider of the Year award, questions if the market is yet mature enough for business continuity not to be seen as an unnecessary expense.

"After 14 years of sustained UK

economic growth, albeit with a few bumps along the way, I think both the industry and wider business community are at an interesting point," he adds. Small businesses, in Osborne's view (and very much in line with much of the research carried out by the likes of the Chartered Management Institute and the former DTI, for instance) have no probability of being able to survive a further bump in this setting. "The current market is completely unforgiving in respect of bad news."

As for the larger customers, business continuity providers have continued to invest in new facilities with ICM launching a new centre in Farnborough and SunGard recently opening their Borehamwood facility. These centres are normally launched to service the large dedicated seat requirements of financial institutions and it begs the question if this will continue to be a viable proposition for the providers given the heightened spectre of bank failures."

IBM, too, has been pushing forward with its own investment in business continuity, following their August announcement to invest some US\$300 million to construct 13 (I wondered, too...) business resilience service delivery centres in ten countries.

Philippe Jarre, general manager of IBM Global Business Continuity and Resiliency Services, confirms that at least its business plans have not been affected by the current market conditions. He defends a huge demand and an expanding business, with a little more than a third of it coming from the financial sector. The also maintain that its reach to SMEs worldwide continues to grow.

Stateside, the picture looks fairly grim. Some consultants are already beginning to feel the pinch in smaller engagements. How badly the profession may be impacted by a continued economic downturn in the

US remains to be seen, but already it is clear that layoffs and some programme shutdowns are likely. Paul Kirvan, a US-based consultant, is concerned that companies that are not currently performing business continuity management will probably defer it until the economic situation improves.

Companies of any size (other than financial firms and other regulated sectors), already with a programme and who are adversely affected by the economic situation, he believes are likely to discontinue it as a cost-saving measure.

"The likelihood of them resuming business continuity management when conditions improve is low," says Kirvan.

Grant Elliot, chief executive of BCIP Ltd, the business continuity and insurance services company, hopes that businesses will maintain a sense of caution throughout the downturn. "In my mind, the combination of the US Hurricane Season and the consequences of the credit crunch, both within and without the insurance industry are resulting in a very difficult market for everyone. Nevertheless... this only strengthens the need for good business continuity planning and more appropriate insurance."

At the time of press, the Treasury confirms that the UK is not in recession, but parts of the market are certainly beginning to feel a pinch. Just how long it will be before we can measure the damage from the current economic crisis is not clear. In offering a conclusion, Osborne reflects that business continuity has become embedded within business culture "during the good times" through regulation and governance in the corporate world and civil contingencies and community resilience in the public sector. "From supply chain pressure to audit and insurers, all these factors are no less relevant during a downturn. Continuity is here to stay. It may need to evolve, it may need to adapt, but isn't dealing with the unknown at the heart of continuity?" he asks.

After all, as they say, 'plan for the impact, not the cause'.

