

January 2013

## Lessons from Sandy: Business Continuity vs. Disaster Recovery and Why Organizations Need Both

Aberdeen recently conducted a survey of IT professionals focused on the plans and processes that organizations adopt for continued business operations and recovery in case of a disaster. The March 2012 survey found that the top pressure driving businesses to adopt a Disaster Recovery plan was risk of business interruption and the high cost of downtime.

Business Continuity (BC) and Disaster Recovery (DR) are often thought of as the same discipline, yet they are not. Business Continuity plans, processes, and technologies are put in place to allow a company to carry on operations during a natural or man-made crisis, including terrorism. Disaster Recovery is what is done when BC and High Availability plans did not work or were never put in place.

Companies need to do both to ensure business viability. Our systems, be it information-, business-, or health-related should be protected, not only for obvious financial implications, but for humanitarian needs as well. As such, this Analyst Insight will focus on determining the cost of downtime for your organization and what an extended outage, such as the ones that occurred during Hurricane Sandy, may mean to your organization.

### Determining the Best in Class

Best-in-Class criteria for this report were determined by ranking top performers that had the least number of downtime events, the shortest time experienced per event, and the longest event experience registering as a negative. Aberdeen's study found that 56% of Best-in-Class organizations have a formal review and reporting process for downtime events. In addition, the same survey found that the average downtime per event for Best-in-Class (top 20%) companies was 6 minutes compared to about an hour for Average (middle 50%) and over 9 hours for Laggard (bottom 30%) organizations (Figure 1).

#### Analyst Insight

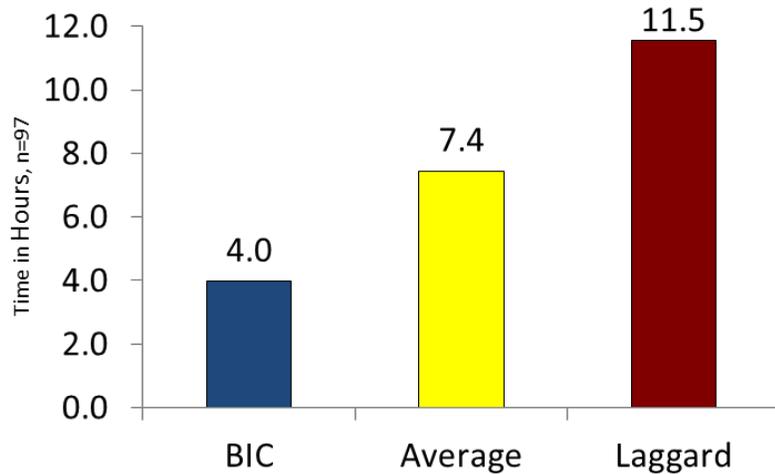
Aberdeen's Insights provide the analyst's perspective on the research as drawn from an aggregated view of research surveys, interviews, and data analysis

#### Best-in-Class Criteria

The Best-in-Class for the purposes of this report were determined by the following criteria:

- ✓ Limited downtime events
- ✓ Limited time per event
- ✓ Longest downtime event

**Figure 1: Best-in-Class Time per Downtime Event is Minimal**

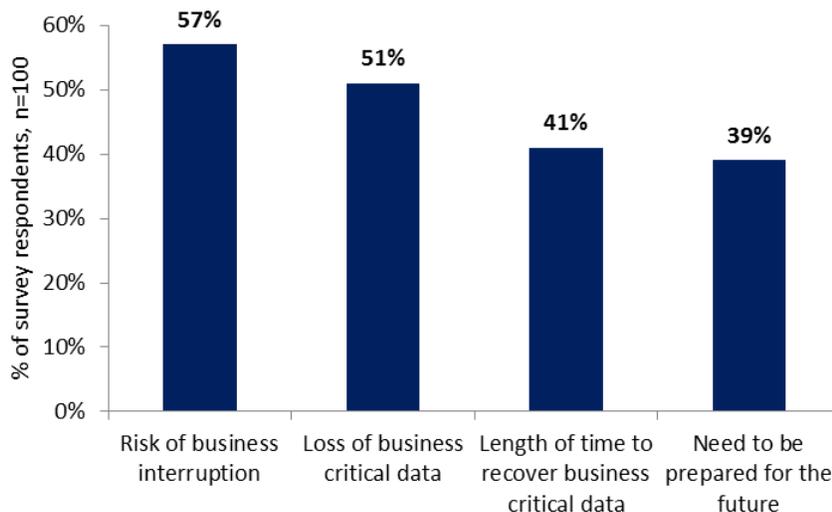


Source: Aberdeen Group, March 2012

### Is a Business Continuity Initiative Right For Your Organization?

A recent Aberdeen Survey found that 57% of IT professionals cited risk of business interruption and 51% claimed loss of business-critical data as the top two pressures driving them to consider incorporating Disaster Recovery and Business Continuity initiatives (Figure 2). Length of time to recover critical business data and preparation for interruptions to IT services were also of great concern.

**Figure 2: Top Pressures Leading to Business Continuity Initiatives**



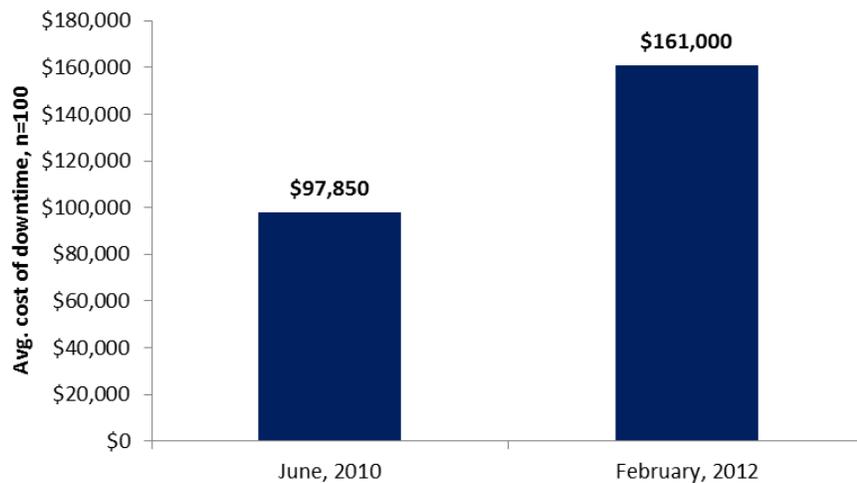
Source: Aberdeen Group, March 2012

## The Business Cost of Information and Application Downtime

The cost of human suffering and misery due to Hurricane Sandy is immeasurable, but the cost of downtime for businesses is measurable. Aberdeen's March 2012 report [\*Datacenter Downtime: How much Does It Really Cost?\*](#), found that the average cost per hour of datacenter downtime has increased from nearly \$98,000 per hour in 2010 to \$161,000 per hour in 2012, a year-over-year increase of more than 19% (Figure 3).

We expect this upward cost trend to continue, considering the explosion in data growth (see the February 2012 report, [\*Three Must-Have Storage Tools for Managing Big Data\*](#)), the proliferation of new end points to support, and the globalization of the economy and workforce. These driving forces will likely change the focus of IT data protection processes from disaster recovery to disaster prevention, a combination of DR and BC strategies. This will help in determining if a business continuity plan is worth consideration.

**Figure 3: The Rising Cost of Downtime 2010 vs. 2012**



Source: Aberdeen Group, March 2012

### Definitions

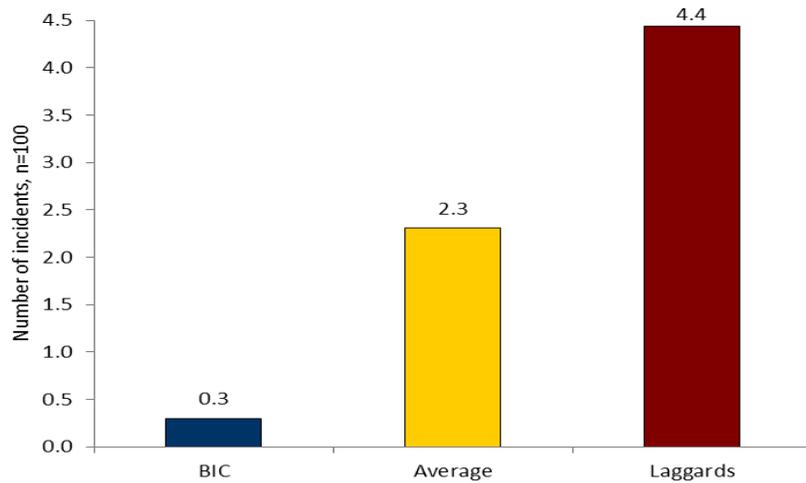
**Business Continuity (BC) planning** is focused on disaster prevention, allowing a company to survive and continue business operations during a natural or man-made crisis.

**Disaster Recovery (DR) planning** is focused on the process of restoring the necessary components of the IT infrastructure, if BC and high availability processes failed or were never in place.

## First Things First: Limit Downtime Events

Aberdeen research recently found that Best-In-Class companies (the strongest performers limiting number of business interruptions, average time of interruptions, and shortest business interruption time) have far less business disruptions than Industry Average or Laggard organizations (Figure 4).

**Figure 4: Best-In-Class Have Limited Downtime**



Source: Aberdeen Group, March 2012

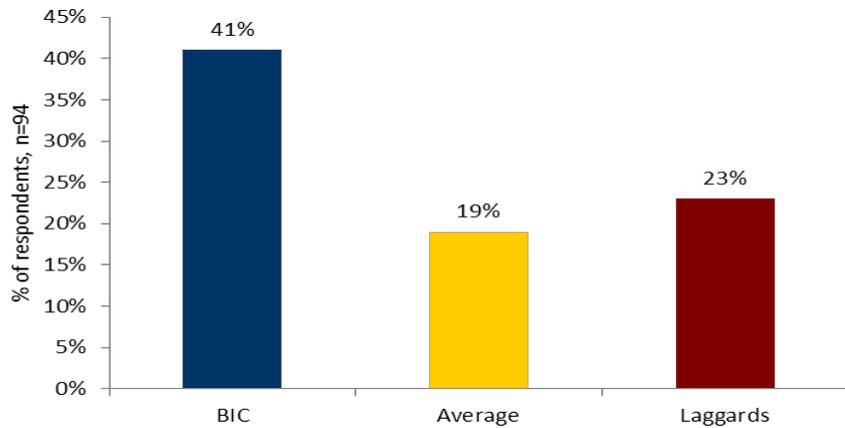
Limiting the number of interruptions per year is the first order of business. Companies can do this through virtualization of their environment, which enables agility regarding business continuity. Another option is enabling High Availability techniques such as proactive virtual machine migration, automatic failover, and replication to private or public clouds.

### **The Need to Outsource Business Continuity Efforts**

Your organization has determined the need for a Business Continuity initiative and ongoing execution. The next step is to determine if your organization has the proper infrastructure, technology, staff, knowledge, and time to implement, maintain, test, and execute when disaster strikes.

If you determine that your organization does not have those native capabilities, then you should consider outsourcing. There are many reputable companies to consult with when determining your exact needs. These organizations can provide a complete solution or augment your staff, technologies and facilities. Be aware though that very few organizations have the expertise, facilities, or bandwidth to be experts in Backup and Recovery, Virtualization, Replication, Software Licensing, Cloud Technologies, Documentation, Facilities Management, and Change Control Testing. It is important to engage outside resources that specialize in Business Continuity and Disaster Recovery technologies and services.

**Figure 5: Best-In-Class Measure Downtime**



Source: Aberdeen Group, March 2012

## Conclusion: Every Business Needs a Plan

Regardless of the size of your organization or nature of your business, a plan for continued operations is critical for an entity's survival. The fact that many businesses derive direct revenue streams from their online activities, dependent on the availability of their websites have made a business continuity and disaster recovery plan essential. Aberdeen's recent report, [\*Disaster Recovery-as-a-Service: It Delivers\*](#), suggests that a managed approach with the help of industry experts is a logical choice.

### Four actions every business must take:

- **Calculate your cost of downtime:** Cost per hour of downtime is calculated by adding labor costs per hour to the revenue lost per hour. *Labor Cost Per Hour of Down Time*- Company A has revenue of \$1 Billion and 2500 employees, average annual employee benefits are \$85,000 per employee and each employee works 40 hours per week. An outage affects 80% of the workforce, resulting in \$82,000 per hour cost for labor during an outage. *Revenue Lost Per Hour of Downtime* – Company A is a global company, deriving revenue 5 days a week. Assuming an outage affects 50% of revenue, revenue lost per hour equals \$57,000. When combining the two figures above, we discover then that the total cost to Company A for one hour of downtime is approximately \$139,000.
- **Track the number of downtime events:** By knowing your number of downtime events you can easily track annual costs.
- **Determine the length of downtime per event:** The length of downtime affects cost per event and annual cost.
- **Determine which applications are critical:** Understanding which applications are mission critical to your organization lowers costs for BC implementations. Applications that affect employees'

“Of all businesses that close down following a disaster, more than 25% never open their doors again”

~Insurance Information Institute

ability to work and revenue producing programs should be considered.

For more information on this or other research topics, please visit [www.aberdeen.com](http://www.aberdeen.com)

### Related Research

[Disaster Recovery-as-a-Service: It Delivers.](#); April 2012

[Datacenter Downtime: How much Does It Really Cost?](#); March 2012

[Three Must-Have Storage Tools for Managing Big Data.](#) February 2012

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