Executive summary

This white paper highlights the need for midsize businesses to address business continuity/disaster recovery (BC/DR), security, and IT operational efficiency. It gives special attention to enterprise resource planning (ERP) and customer relationship management (CRM) implementations because increased adoption of these solutions is driving demand for improved BC/DR capabilities, especially in the area of data storage and data protection. This paper also examines the interdependency of BC/DR, operational efficiency, and security, including solutions that can address two or more of these issues at the same time.

BC/DR is essential for business health.

Midsize businesses, especially those that have ERP or CRM systems, depend heavily on their computing systems. For those companies, ERP and CRM represent large IT investments that are the backbone of front- and back-office operations. As a company’s dependency on these systems grows, so does its exposure to the effects of system downtime and operational inefficiencies. The effects of ERP and CRM downtime reach far beyond production delays and reduced worker productivity. Downtime can result in lost revenue, additional expenses needed to recover, delayed invoicing, and penalties for not meeting contractual obligations. Downtime can impact a company’s reputation and overall competitiveness. When IT systems fail or when data is lost, the extent of the damage will depend entirely on how well the business has planned for business continuity and disaster recovery.

Midsize companies typically experience less than 43 hours of unplanned system downtime a year, but about one-third experience annual system downtimes ranging from 44 to 87 hours. While the cost of unplanned system downtime varies by industry and size of operation, conservative estimates range from $10,000 to $100,000 per hour. The cost of system downtime and its impact on the business can easily exceed the cost of developing a business continuity plan and investments in the technologies that are needed to support the plan. Companies that spend on business continuity see their expenditure as an investment in availability, rather than a cost with limited or no return on investment.

BC/DR solutions are poised for growth.

The uptake of ERP and CRM solutions in the midsize businesses is generating a strong demand for business continuity and disaster solutions. ERP and CRM are becoming increasingly prevalent with medium companies, with competitive pressures and the availability of suitably priced solutions driving adoption. An AMI Partners study reports that 35% of midsize businesses have ERP systems, and another 26% plan to deploy or make upgrades in the next 12 months. Similarly, 39% have CRM solutions, with 24% planning to deploy or upgrade.

Business owners and top IT decision makers understand the need for disaster recovery and business continuity programs: 69% of medium companies have some form of business continuity plan in place, and 80% of these companies test and update their plans regularly. But they don’t feel that they are doing enough to avoid the risk of system downtime or data loss. Upgrading disaster recovery capabilities has been in the top three IT initiatives for midmarket companies for the past two years, along with upgrading their security environment.

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The importance of BC/DR initiatives has resulted in year-over-year IT budget increases in the technologies that reduce the risk of downtime and improve disaster recovery capabilities (see Figure 1). As the technologies that address security, downtime, and data protection continue to improve, midmarket companies will continue to invest in them to further reduce their exposure to downtime and risk of data loss.

Figure 1. Year-over-year IT spending changes: 2006–2007

BC/DR investments are driven by protecting data and improving operational efficiency.

Businesses invest in business continuity to minimize the risk of disruptions that can be triggered by security breaches, equipment failures, human error, employee sabotage, power outages, and natural disasters. They also invest in business continuity solutions to reduce IT operating costs, to respond to competitive pressure, and to minimize the possibility of downtime when the business is experiencing major changes.

The top drivers of business continuity spending in medium companies include data loss prevention (50%), IT operating efficiency improvement (43%), business change (29%), and security threats (27%). As can be expected, many companies’ BC/DR plans are incomplete or piecemeal. Midsize businesses cite many reasons for not implementing BC/DR solutions. The top reasons include not having the time to implement solutions, not fully understanding the impact of downtime on the business, not being able to agree on technology solutions, and lacking knowledgeable internal resources (see Figure 2). Insufficient funding is rarely a reason not to implement a BC/DR solution.

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Business continuity, IT operational efficiency, and security are closely linked.

IT efficiency and business continuity are closely related. Efficient IT shops are more likely to have well-developed and tested management processes, including those processes that address business continuity. Improving IT operational efficiency is a recurring theme in IT decision-makers’ priority lists and will continue to be a driver of business continuity spending. Organizations use technologies such as server virtualization and storage consolidation to reduce IT cost and complexity. They can also use these technologies to enable business continuity programs by providing redundancy and data protection.

Security plays a strong role in business continuity planning because it defends against threats that can result in system downtime, data loss, or data theft. Security indirectly impacts operational efficiency because it can keep businesses from needing to divert IT resources from their day-to-day tasks in order to recover from security breaches.

Technologies used for data protection, data recovery, and high availability

Virtualization and data replication are among the technologies most commonly used for disaster recovery and high availability today. Other relevant technologies include data mirroring and archiving, availability monitoring, server and database clustering, and more. Virtualization and data replication can provide customers with an opportunity to improve DR capabilities and boost IT efficiency at the same time.
Data growth and shrinking backup windows are driving investment in increasingly sophisticated data replication technologies. Organizations should consider a broad selection of data replication solutions—including virtual tape libraries, shared-disk clustering, and other disk-based technologies—that provide a range of recovery-time and recovery-point capabilities. These solutions can be shared across multiple data-rich applications to provide high availability and disaster recovery capabilities. Data storage solutions can drive the need for storage area networks (SANs) and storage virtualization products that can help companies consolidate and manage their storage infrastructure.

Companies that use application servers for multiple tasks have high risk exposure. To mitigate these risks, they can use additional servers—or a higher-performance server combined with virtualization—to provide separate environments for test and production systems or redundancy for system recovery.

Management tools that are tightly integrated with server and storage environments are highly effective in increasing operational efficiency. Research has shown that a strong correlation exists between IT operational effectiveness and the use of monitoring, automation, and root cause analysis tools. These tools enhance IT staff productivity significantly while reducing the downtime caused by human error. When selecting management and automation tools, highly efficient midsize businesses rank tight integration with the organization’s major server and storage platforms as their #1 selection criterion.

Summary

Increasing adoption of ERP and CRM systems by midsize businesses is generating demand for business continuity, disaster recovery, and data protection solutions. At the top of IT executives’ priority lists are improving BC/DR capabilities, increasing IT operational efficiency, achieving high levels of data protection, and improving infrastructure and data security. Because of this, IT budgets devoted to these priorities are continuing to increase. Businesses should seek solutions that address these needs by examining their IT operations for BC/DR readiness, limitations in their data storage and protection systems, inefficient use of storage and servers, lack of redundancy in the server environment, and the presence or use of IT management tools.

For more information

To learn more about HP solutions for improving business continuity and disaster recovery capabilities, contact your local HP sales representative or visit:

www.hp.com/go/midsizebusiness

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4AA1-8068ENW, February 2008