

Gartner Says Most Small and Midsize Businesses Are Not Prepared for a Crisis

Major Issues for SMBs to Be Examined at Upcoming Midsize Enterprise Summit

STAMFORD, Conn., March 25, 2002 - The events of September 11 were a high profile wakeup call for small and midsize businesses (SMBs) to assess the risk of their business in the case of a disaster and their ability to recover from such a crisis. Many companies are still not prepared, as Gartner Inc. (NYSE: IT and ITB) estimates that two out of five enterprises that experience a disaster will go out of business within five years of the event.

Gartner analysts said the majority of SMBs have traditionally under invested in business continuity planning. One reason why is that the disaster recovery and business continuity markets historically have been centered around robust and expensive solutions that can be cost prohibitive for SMBs. Gartner estimates that only 35 percent of SMBs have a comprehensive disaster recovery plan in place and fewer than 10 percent of SMBs have crisis management, contingency, business recovery and business resumption plans.

"Many SMBs don't believe they will ever be affected by a disaster the magnitude of what happened on September 11. But the reality is that it's the hundreds of comparatively minor vulnerabilities, such as an e-mail virus or a sustained power outage, that pose the biggest threat to derailing normal operations because of their greater likelihood of occurring," said Jim Browning, vice president and research director for Gartner.

Gartner research shows 80 percent of mission-critical application service downtime is directly caused by people or processes failures. The other 20 percent is caused by technology failure, environmental failure or a disaster.

"SMBs need to evaluate their business processes and protect what is critical," said Donna Scott, vice president and research director for Gartner. "They must anticipate how they would conduct business in the event of natural disasters, system outages, facility fires, or other risks to their operations. Failure to do so is risky business. SMBs must act promptly to assess and mitigate the risks that stalk and endanger their business operations."

SMBs specifically have a fundamental quandary to resolve: How much money is too much money to spend on business continuity planning? SMBs should start by investing in a business impact assessment that will help them in identifying and ranking business process and resource criticality, priority and dependencies so that spending can be prioritized accordingly. For SMBs that are leery to tackle the project themselves, qualified consultants can help SMBs perform a BIA for around \$30,000 to \$80,000, depending on organization size and scope.

SMBs also need to appreciate the high price of downtime when mulling how much money to spend on business continuity and disaster recovery. Knowing what to do when a crisis disrupts their business will help SMBs recover faster and improve their chances of survival.

Scott will provide more detailed analysis on business continuity when she presents her findings during the opening session of Gartner's Midsize Enterprise Summit, April 10-12 at the Renaissance Orlando Resort in Orlando, Florida.

Gartner's Midsize Enterprise Summit brings together senior IT executives at midsize companies with Gartner analysts and technology vendors focused on the challenges of developing effective IT strategies and utilizing emerging technologies. More information on this summit is available on Gartner's Web site at www.midsizeenterprise.com. For press registration, please contact Judy Grillo at 954-724-5323, crickets@earthlink.net.

Additional information is also available in the Gartner Research Note "Preparing for a Disaster: Affordable SMB Actions." This Research Note looks at what strategies SMBs should employ to provide business process protection in the event of a disaster. This report can be purchased on the Internet at www.gartner.com. To subscribe to Gartner's SMB research, please call 203-316-1111.

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