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Fifty percent of Businesses Filed Bankruptcy due to Data Loss

If you are an owner of a small business, the above statement may strike a bitter reality. "A recent national survey in the United States found that fifty-five percent of small businesses rate themselves as "fair" or "poor" in terms of having a documented disaster recovery plan or have no documented disaster recovery plan at all" ¹. What many of these small businesses fail to realize is that generally their business relies on the data they have on their computers. Everything they learn, develop, and gather gets logged and recorded on their PCs. However, according to a study conducted by Pepperdine University, "6% of all PCs will suffer an episode of data loss in any given year, requiring specialized data recovery services" ²

Loss of their precious information through various events such as the corruption, failure of recovery, theft, accident, destruction, and/or human error, will have a gruesome effect on their business, if they are not prepared well in advance. Recreating these files can be very costly, time consuming and sometimes impossible. As found on the Disaster Recovery Journal, "the rate of failure for laptops is as high as 20-25 percent per year and every year 30 percent of all these are lost or stolen" ³. According to another survey results "93% of companies that lost their data center for 10 days or more due to a disaster filed for bankruptcy within one year of the disaster. 50% of businesses that found themselves without data management for this same time period filed for bankruptcy immediately." ⁴. This comes no surprise since the 2001 Cost of Downtime Survey indicates that "46% of the survey participants said each hour of downtime would cost their companies up to \$50k, 28% said each hour would cost between \$51K and \$250K, 18% said each hour would cost between \$251K and \$1 million, 8% said it would cost their companies more than \$1million per hour" ⁵. Although many still forget to save, others have taken these tasks as their regular activity.

After all, data loss not only costs you and your business, but also puts you on the strain of having to deal with the legal matters. According to Report on Business magazine, "awareness of the need for data and systems security has been growing, due to recent events such as the summer 2003 power outage, Internet virus proliferation and 9/11" ⁶. A recent survey by IDC, a leading market survey firm, concluded that we should expect worldwide spending on security and business continuity to grow twice as fast as IT spending over the next several years ⁷. More than ever before, businesses are spending on security technology, and the cost of security is eating up a greater proportion of corporate technology budgets. According to Gartner, Inc., there is a 28%-a-year increase in security spending since 2001, even though technology budgets have grown by only 6% a year. Gartner also predicts that 20% of enterprises will experience a serious Internet security incident-excluding virus attacks-before the end of 2005 ⁸. While awareness of the importance of backup and recovery planning is present, only about 1 of the 5 of small business has a consistent backup policy or recovery plan and this was only implemented after a significant data loss. Ryan Penn, President of Ituitive Business Technologies said "I have years of experience in the data protection services and software field, and have learned that many technical personnel in small to medium sized businesses simply do not have the time to deal with backups and recovery, and therefore a hole exists which is often filled unsatisfactorily by the software vendor".

Software support contracts are very expensive, and this kind of customer can often turn to a reseller for the technical services necessary to maintain an adequate backup and recovery system. As much we rely on the technology to progress with the changes, we must not fail to recognize its potential of failures. According to a Gartner analyst "35% of all PCs sold to businesses are laptops and 1 in 5 of these laptops will suffer hardware failure in the first 3 years" ⁹. Similarly, notebook thefts have also been haunting businesses. As indicated by a survey result "The average financial loss resulting from a laptop theft grew by 44% from 2000 to 2001 (\$62,000 to \$89,000). ¹⁰ Although technology is the foothold to many businesses, it also possesses many potential threats. Thus, in order to harness it and use it efficiently, we must be able to identify potential data loss situations and take the necessary precautions to prevent them from happening. Most of all, we must not forget to do rehearsals of data failures. Having adequate, tested and restored, as well as current backups in place is critical. Data is a valuable corporate asset and should be managed as such, like cash, facilities or any other corporate asset

1. *Imation*, July 30, 2003 http://www.imation.com/en_US/main.jhtml?Id=70_00

2. *Pepperdine University Study*, 1999 <http://www.datarecoverysouth.com/data-recoveryfacts.html>

3. Gartner Group, <http://www.drj.com/articles/win03/1601-09p.html>

4. *National Archives & Records Administration in Washington*
<http://www.datarecoverysouth.com/data-recovery-facts.html>
5. *2001 Cost of Downtime Survey Results, 2001*
6. *Report on Business "Write a check", Sept 26, 2003, Page 89*
7. *Worldwide IT Security and Business Continuity Forecast, 2002-2007 IDC #30136*
8. *"Security surges", Report on Business Magazine, Oct 31, 2003, page 131.*
9. *Gartner analyst Brian Gammage, The Changing Spectrum of Mobile PC Usage, October 30, 2002*
10. *2001 and 2002 Computer Security Institute/FBI Computer Crime & Security Survey,*
<http://www.microsaver.com/html/2178.html>