

Business Impact Analysis: A New Perspective

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Most modern business continuity (BC) practitioners have come to understand that effective mitigation, response, recovery and resumption cannot happen without benefit of a thorough business impact analysis (BIA). There are, however, a number of perspectives on what constitutes a useful BIA and how to conduct it. This paper is a comparative discussion of a few of those perspectives and advocacy for one that is new to the industry.

Perspectives on BIA will differ on the basis of level (strategic or tactical), process (high tech or high touch), tools (simple or sophisticated) and emphasis (quantitative or qualitative) as well as in other ways. Of course the fact that humans are doing this work implies that there will be a fairly wide range of style and time-to-completion differences.

Most practitioners seem to be coming to the conclusion that a BIA must be done at a strategic level. There are increasing numbers of articles in the industry literature that advocate broad views of the BIA that capture information related to the full spectrum of technology and business process factors operating in the organization. Since the 9/11 attacks there is a growing number who are beginning to get the importance of “external” planning as well. A few even understand the tremendous value of business involvement in community and regional planning. This growing understanding and shift in perspective may signal an evolution in the profession from thinking in mechanical models to thinking more systemically. Such an evolution is inevitable in my mind since complex systems cannot be sufficiently understood as simply a collection of parts. Tactical perspectives suffer from a lack of systemic understanding and are doomed in a third and fourth wave world.

Every now and then we see situations where the promise of technology to provide control, consistency, speed and accuracy falls short. There continues to be a gap between the largely descriptive knowledge of business continuity that dominates the field and the experimentally derived conclusions that can form the basis of useful technology. Those who perceive the BIA to be a matter of gathering objective facts and data are encouraged to believe that software can do the job. Others view the BIA as a process involving analysis of apparently unrelated bits of information and the integration of data into systemic models. The fact is that software generally cannot do analysis in the way that informed human cognitive intelligence can do it. My experience with using both approaches tells me that in the end the high touch process produces much greater value and contribution to strategic organizational risk management. Yes, it can cost more since high tech approaches can include merely sending a Word template to respondents for completion and return. Compiling the data may be labor intensive but can be done by relatively unskilled workers. The high touch process with its analysis requires more expensive face to face meetings and people who are highly skilled.

Preferences for simple or sophisticated tools may reflect the occupational origins of practitioners as much as anything else. There are those who advocate for plan documents of no more than a few pages and those who sneer at plans that do not require at least a two-inch binder. Some are

happy with basic Word documents and others believe that relational databases are necessary. Some are happy with fairly high-level descriptions of operations and others demand excruciating detail. In the end, I think the key to what constitutes necessary and sufficient sophistication is found the answer to two questions. The first is, "What communicates the reality of the organization's risk posture most clearly?" The second is, "What informs planning processes best?" The answer to both includes the word "simple" and the phrase "consistent with cultural protocols." I have seen organizations where the primary mode of communication is PowerPoint presentations. The apparent belief there was that this medium would encourage simple and brief messages that did not confuse with unnecessary detail. In other organizations lengthy reports are required of which only the executive summary is read. High communication art in such organizations is the well-written executive summary. In nearly all situations it is true that any and all information that can be rendered in a visual graphic has a greater likelihood of capturing attention and that is the essence of communication in a fast-moving business environment.

Closely linked to a preference for high tech approaches is an emphasis on quantitative information. Sometimes the argument is made that quantitative information is more persuasive to senior managers whose support is necessary to fund and enable planning. My experience is that senior managers demand numbers when they sense a lack of quality in a proposal or request. After all, senior managers do not work in the world of tactical detail most of the time since they are primarily accountable for a larger picture and for strategic outcomes. Really good senior managers are good at monitoring detail by asking the right questions of the line people who have detail as a primary accountability. I am often surprised though by the surprised reactions of senior people when vulnerability of a systemic nature is described. It is shocking how many do not readily see the interdependence among things in their own organizations. Even really good managers can fail to ask the right questions to reveal the vulnerability inherent in such interdependence. They too are blinded by mechanical thinking. In the end the right quantities wrapped in the right qualities will carry the most persuasive message. That is one factor that led me to begin looking at organizations from the perspective of the core value chain (CVC) at the outset of the BIA.

I began using the CVC several years ago as a tool for both understanding the systemic nature of an organization and as a central image for graphic presentation of findings. It has served well in both capacities. I am amazed at how often senior managers are eager to engage in a dialogue about their own organizations from the perspective of the CVC when the same manager would most likely glaze over at the presentation of probability tables and process-by-process tallies of cost by the hour, day, week and month. I think that it is fairly certain that he or she knows that if a critical process is down for a month and sometimes a day or week, it will be time to clean up the resume. I will bet that he or she even knows fairly well which IT systems and business processes are critical to operations. A new understanding of the ways in which things are interdependent though is often an eye-opener and the CVC provides a convenient and fairly simple view of that interdependence. Figure 1 shows the basic CVC for a mortgage lending company in the non-prime market. During a BIA the various information systems and business processes upon which the elements of the CVC depend can be identified. Analysis reveals the ways in which these dependencies and interdependencies operate for the particular organization.

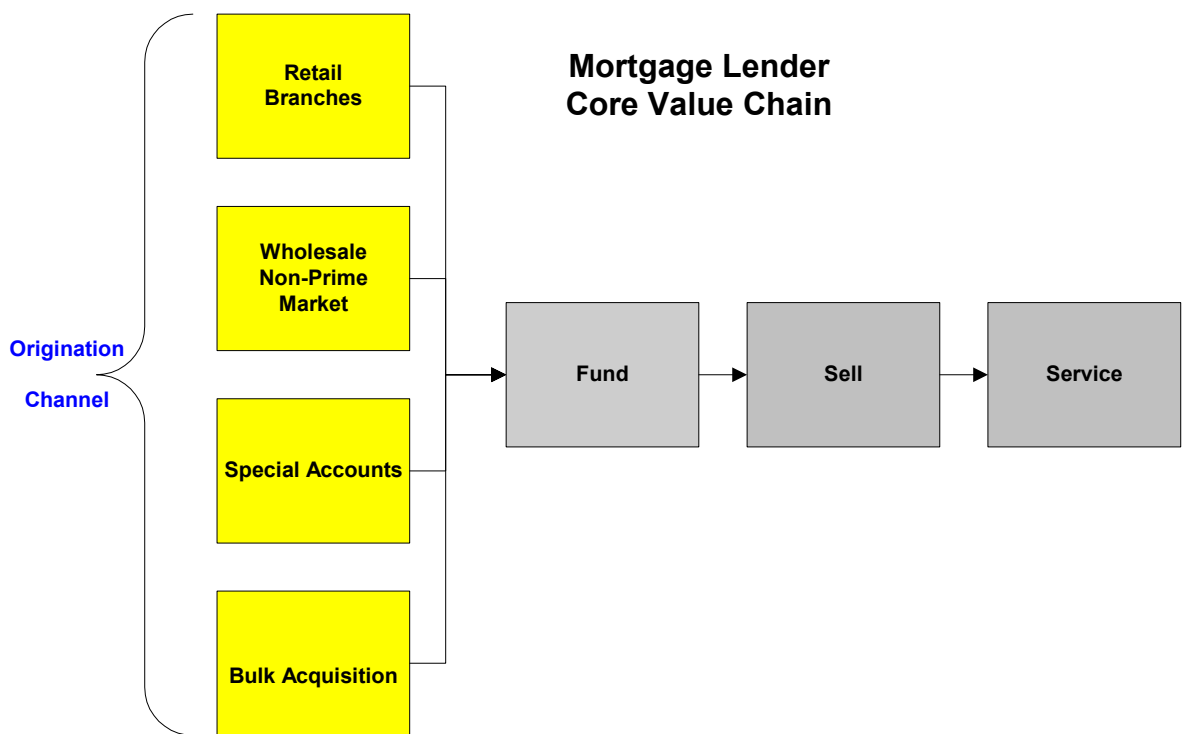


Figure 1

In the case of this type of financial services company, there are more than one or two sources of revenue so it is vital to understand how the various revenue generating processes are interdependent with one another. In this organization, for example, revenue is generated by both funding and servicing operations. An interruption to one does not necessarily negate the ability of the other to generate revenue but can be shown to have an impact that demonstrates the extent of their interdependence. A failure of the treasury process can be shown to have the effect of shutting down all of the revenue generation over time. Even something as relatively invisible as post funding processes can be shown as required for revenue continuity. It was also true in this company that all of the CVC is tied together by a locally developed core IT system that, along with a number of attached modules, handles all of the data for all of the revenue generating functions such that the company cannot really tolerate any system downtime. This fact is not readily apparent by looking only at one process at a time in isolation.

In Figure 2 there is a CVC model for a product manufacturing company. Here we have a more traditional CVC with its supporting staff and IT functions. The various business processes and IT systems can be linked to the one or more stages in the CVC that are dependent upon them. In most organizations today there is an ERP system that ties all of the CVC together and often includes staff functions such as accounting. The nature of the overall system is more visible when we begin with this view and use it as a starting point for descriptions of lower levels of detail contained within the various parts of the CVC.

Core Value Chain

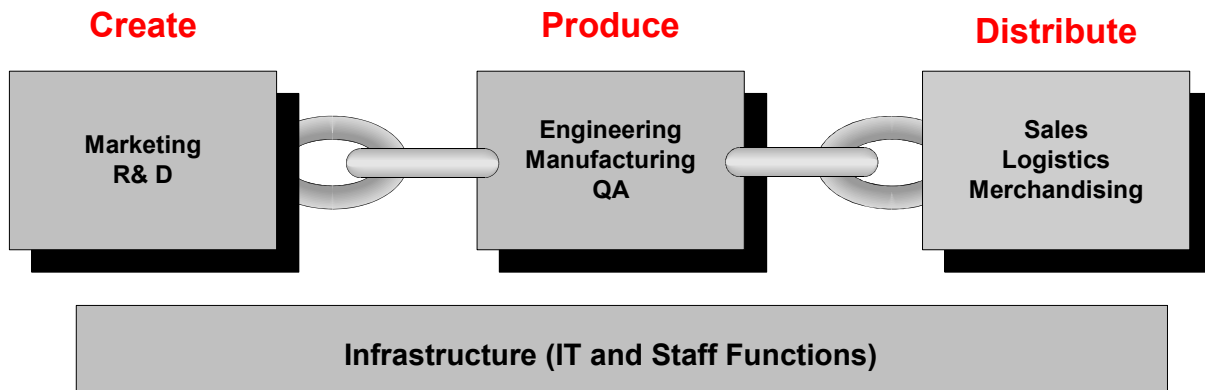


Figure 2

Using the graphic depiction of the CVC to show vulnerabilities and critical connections among processes and systems gives a BC practitioner a powerful tool for understanding, analysis and communication about the risk and vulnerability posture of the business. It takes the cold information of traditional data collection and brings it to life in the context of what the business is really all about. It has always been true that the best BC programs are those that are the most intimately familiar and involved with the core business. The CVC is the logical place to start and end when developing plans to ensure that the business can continue to do what it must do to survive and thrive.