Guidance notes on Business Impact Analysis

This is the first step in the process of establishing, reviewing or updating your approach to Business Resilience. The Business impact analysis (BIA) becomes the foundation of all your recovery planning and investment in business continuity.

The BIA identifies and prioritises what is at stake following a disaster and helps quantify spending on recovery capability. The BIA also quantifies the Maximum Acceptable Outage (MAO) or Maximum Tolerable Period of Disruption (MTPD) which is the time the adverse impacts of not performing that activity to become unacceptable.

Methods and Techniques for conducting a BIA

You can carry out a BIA in a number of ways. The size and scale of your operations will determine the level of sophistication and process you will need to apply to getting the key priorities identified and documented. Some options include;

- Workshops
- Questionnaires
- Interviews

Workshops are most likely to produce the most consistent information and also are far better at getting the right input and buy in from all business units and leaders.

Why Business Impact Is About Time Sensitivity, Not Criticality

When conducting a BIA, avoid the use of the terms "critical" or "essential" activities. Use the term "time-sensitive." All functions have a purpose, but some are more time-sensitive than others when there is limited time or resources available to perform them.

As an example, an Aged Care in Home Service provider that has suffered a small building fire in one of its facilities could easily stop its marketing campaign or client home gardening service but would not be able to stop providing its essential services such as meals or nursing care for its high care clients. The Services marketing campaign is essential to its growth in the long term, but in the middle of a disaster it will take a backseat, not because it is not critical but because it is not time-sensitive.

Key questions to ask as part of the BIA are; How long can the organisation not perform this function without causing significant financial losses, significant customer unhappiness, or significant penalties or fines from regulators or from lawsuits?

Strategic BIA as a first step

You can build a Business Resilience Plan that encompasses every activity of the business but you can also overinvest in recovery planning. A strategic BIA is about identifying and getting agreement on what are the most critical time sensitive activities and what can wait till later if a disaster occurs.

The Strategic BIA also defines the Maximum Allowable Outage. This is the maximum acceptable time that can elapse before the service or activity must be resumed through either a work around or through recovering the available resources.

The first BIA session should be strategic and involve the Executive and focus on identifying what are

the time critical elements of the business that must be prioritised and actioned first. This then sets the focus for the resource recovery planning at operational and individual business unit or tactical levels.

The strategic level BIA is critical as a first step as without this guidance from the Executive, an individual business unit may decide to get all its activities back by day one after a disaster. Take the example of the finance and accounting team of a large NFP. If you asked the Finance team if they were not able to run the general-ledger system for 30 days, they would probably think that is not acceptable.

It would no doubt be highly disruptive for them and the organisation. They would have to process manual cheques to keep critical service providers and staff working, have to maintain a manual general ledger until the system was brought back. They would have to reconcile all the manual-ledger entries into the application once it was restored, but the organisation would survive as a business. On the other hand, how long do you think the organisation would survive if it was unable to answer phones or provide essential care to clients such as meals, home care?

The strategic prioritise set by the leadership group and cascaded through the organisation is essential to ensure that the investment in recovery and manual workarounds is targeted appropriately.

Operational and Tactical BIA based on strategically prioritised processes

Once the Executive have agreed the time critical processes and activities that need to be reinstated where a business disruption event occurs, the operational managers and key staff then conduct an analysis of the key activities required to support those prioritised processes.

Generally the business or service operations will build a map of the required function, what types of resources are required (People/IT/Facilities/Suppliers) to perform these functions and alternative 'Work-arounds' if those resources are not available. The type of information that would be documented in the operational level resilience plan is as follows:

Number of employees, their skills and knowledge required and alternative people sources with those skills and knowledge (i.e. Agency staff) if they are not available

IT Systems- and alternatives if IT systems are not available e.g. manual workarounds or alternative sources of information such as hardcopy files

The workarounds should be documented as part of the local/operational procedural manuals and all operational staff should be trained in these procedures. It is critical that the process owners own and maintain accountability and responsibility for maintaining currency and training for the workarounds. This documentation and training is in essence the local business continuity plan.

Resource Owners

Resource owners such as Human Resources, IT, Facilities Management also need to develop recovery plans with workarounds documented as part of their operational procedural manuals It is again, critical that the resource owners, own and maintain accountability and responsibility for these business resilience processes as part of their normal operational process documentation . This documentation and training is in essence the specialist departments' business continuity plan.