A Practical Approach to Business Impact Analysis (BIA)

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Date: November 2012

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A Discussion on a Practical Approach to Business Impact Analysis

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Introduction

Let’s start this discussion by asking a simple question:
‘Is Business Impact Analysis (BIA) the most important activity in Business Continuity?’

We declare our position as
‘Yes, it’s definitely the most important ... AND it’s also the most interesting’.

Stepping back a little to give that answer some context, you will see that the Good Practice Guidelines (GPG) (Business Continuity Institute, 2010) has 3 major tools defined within the ‘Understanding your Business’ phase:

- **Business Impact Analysis (BIA)** – for evaluating the impact over time of a disruption to an organization’s ability to operate

- **Continuity Requirements Analysis (CRA)** – to estimate the resources, facilities and external services that each activity will require at both resumption and return to normal after a disruption

- **Risk Assessment** – to estimate the likelihood and impact on specific functions from known threats.

A BIA is the most important as it defines the business that you are ultimately trying to protect – get this activity wrong and all subsequent lifecycle activities will be built on shaky foundations. It’s the most interesting as it allows you to look at all the business activities that support the products and services of your Company – so it’s a great vehicle for general business education.

However, there are a great many ways to complete a BIA. In this short paper we are going to highlight how some of the practical issues of undertaking a BIA can be overcome by using an approach that we have used successfully for several of our Customers.

In practical terms as well you will also find that the bulk of a Continuity Requirements Analysis (CRA) can also be included at the same time as the BIA.

‘Sounds complicated, so exactly what is a BIA?’

The GPG describes the BIA as

“the foundation on which the whole BCM process is built. It identifies, quantifies and qualifies the business impacts of a loss, interruption or disruption of business activities on an organization and provides the data from which appropriate continuity strategies can be determined”.

In other words, it analyses and identifies the organization’s requirements for business continuity.
One of the more common problems that we have seen is that far too many BIAs focus on premises related analysis, completely ignoring the technology requirements of the organization. This approach assumes that IT Service Continuity Management (ITSCM) and IT Disaster Recovery (DR) is an IT problem, whereas it’s actually a business problem.

Technology should be considered as a tool used to support a business process and the business requirements derived from a BIA equally apply to the IT Services, systems and infrastructure components of an organization. So a key lesson here is to scope the BIA to capture a complete picture of what is important to the organization – including technology.

‘Ok, I’m happy with the scope – so how do I do a BIA?’

Good question … Our strong advice is to work top down and start with your BIA by looking at a corporate level.

Therefore ‘understanding your Corporate Revenue Streams’ is always a good place to start. In most businesses revenue generation is still the number one corporate objective so understanding what products / services generate what revenue is fundamental to a BIA.

The process for undertaking a BIA is described in the GPG as:

- Obtain approval of the Terms of Reference for the BIA with the project sponsor
- Identify business activities across the organization and management owners
- Identify suitable staff from whom information can be sought – subject matter experts
- Identify how a disruption could result in damage to the organization’s reputation, assets or financial position
- Quantify the timescale within which the interruption of each business activity becomes unacceptable to the organization because of its disruption to the delivery of products and services (Maximum Tolerable Period of Disruption – MTPD)
- Quantify the resources required over time to maintain the business functions at an acceptable level and within the MTPD
- Obtain approval by the process owner to confirm accuracy of information
- Obtain support of the BCM sponsor for the conclusions
- Present to Top Management

The way in which data is collected in a BIA needs to be addressed, and in practice, we would recommend that one of early steps in undertaking the BIA is to agree the approach that is going to be used and to create a set of BIA templates for the collection of data. The process will be made easier if this is backed up with documentation and an awareness campaign for everyone that will be involved. The initial meetings should be with Key Executives, and it helps if one of the first is with the Finance Director (or equivalent) to understand where revenue and, hopefully, profit is generated.
It would be wrong to think that every BIA follows an identical process – life is not that simple. But a ‘top down’ approach always provides the firm understanding of the business dynamics before you delve into the detail. It also allows you to question criticality and priorities from a position of knowledge, which is the approach used by T-Systems and several other companies.

‘Top Down? That’s quite sensible – what’s next?’

You need to have a clear understanding of what you expect to get out of a BIA.

The GPG lists the following as outputs of the BIA:

- A list of activities that contribute to the delivery of product and services within scope
- The MTPD and its justification for each activity
- An understanding of the resources required during the time after resumption to provide agreed service levels
- Acknowledgement of the Interdependencies – the activities that need to be operational (both internal and external) to maintain agreed service levels

One of the practical issues is to ensure that the output from the BIA provides consistency across the organization in terms of priorities and levels of criticality. This can be achieved by delivering the BIA report in the following four key sections in a BIA report, ensuring that these sections are driven by the same corporate values:

- Corporate View
- Service or Product View (depending on the organization)
- Technology View
- Business Department View

As an example, the definition of Mission Critical should be the same irrespective of whether we are talking product, service or technology component.

‘What about these new whizzo Standards?’

We think this is one area where BCM has made a tremendous leap forward in the last 15 years. PAS 56 (BSI, 2003), BS 25999-1 (BSI, 2006), BS 25999-2 (BSI, 2007) and now ISO 22301 (ISO, 2012) have all raised the bar in terms of quality within our profession.

Looking at a BIA, all of the Standards recognise its importance in clearly defining business objectives and business priorities.

The latest Standard, ISO 22301, introduces some new concepts and terminology that are well worth including in your BIA:
New Concept in ISO 22301 | Explanation
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Context of the organization | The overall environment in which the organization operates now has a major influence on BCM strategies and solutions – the context of the organization should be defined in the BIA.
Maximum acceptable outage (MAO) | An alternative to Maximum Tolerable Period of Disruption (MTPD), having the same meaning, which is defined in ISO 22301 as the ‘time it would take for adverse impacts, which might arise as a result of not providing a product/service or performing an activity, to become unacceptable’.
Minimum business continuity objective (MBCO) | A new term that defines ‘minimum level of services and/or products that is acceptable to the organization to achieve its business objectives during a disruption’ This parameter can be used to define the high level recovery values for a set of services and can drive SLA measurement values.
Prioritized timeframes | Provides a clear framework for ensuring recovery activities are prioritized in line with business objectives.

‘Will a BIA toolset make my life easier?’

The GPG states, “The key benefits of utilising a software tool include ease of analyzing results, storage of information and reporting the results: their use does not remove the need for interviews with or involvement of individuals knowledgeable in the activity being analyzed”.

In our experience the simple answer is ‘yes, it should make your life easier’, but like most things in life you only get out of it what you put into it and you will need an up-front investment in learning how best to use the toolset.

T-Systems use a product called ClearView as our central BCM tool, and we also use it for Customers’ BIAs. We have found that the main benefit of a toolset is that a BIA template (with customised Impact Areas and Impact Values) can be rolled out across an organization very quickly. It also provides a very graphical display of a Maximum Acceptable Outage (MAO), using a colour coded approach to displaying criticality of services or products.

‘Sounds easy – so what’s next?’

Once you have completed your BIA it’s important that you get all of the data values and conclusions agreed by the Interviewees. As we said earlier, a BIA provides the foundation on which you will build your BCM Strategies, Plans and Solutions – any error in defining your criticality or your priorities will be cascaded through the next phases of work and will probably not be discovered until you start exercising and testing.

As we said in the introduction we believe that BIA is the most important activity in BCM but it’s also the most interesting. So good luck, enjoy it and learn all about your business.....
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