

CHOOSE SUCCESS



# BUSINESS IMPACT MANAGEMENT

A 10-STEP GUIDE TO MOVING  
BEYOND THE TRADITIONAL BIA

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# BUSINESS IMPACT MANAGEMENT

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Business Impact Assessments are a traditional and commonly-used approach in defining the focus of business continuity programs. BIAs are designed to determine the outage tolerances and exposures of mission-critical processes, IT infrastructures, facilities, and suppliers. Unfortunately, while organizations have historically been good at identifying exposures, many have struggled to prioritize and manage those exposures effectively. It is imperative that businesses move beyond the legacy BIA to embrace business impact management. The results are greater levels of resilience, lower costs of mitigation, more effective response, and faster recovery from business disruption.

AT ITS CORE, THE PROCESS OF MANAGING BUSINESS IMPACTS IS COMPRISED OF FOUR COMPONENTS:

Attaining a detailed knowledge of the organization including the critical processes, assets and resources, systems and infrastructure, and upstream and downstream dependencies, as well as the types of disruptions and the impacts that can occur.

1

Achieving command and control of by establishing ownership and accountability from the “information owners”, and defining the processes to obtain updates as changes to the organization occur.

2

Making ongoing decisions based on current and accurate impact and resilience data to ensure the organization can deliver the desired outcomes in the face of disruption.

3

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Take the following ten steps to move beyond the traditional BIA and embrace Business Impact Management (BIM) to reduce your work effort, enhance your results, and transform your organization.

## STEP 1: DEFINE YOUR PROCESSES

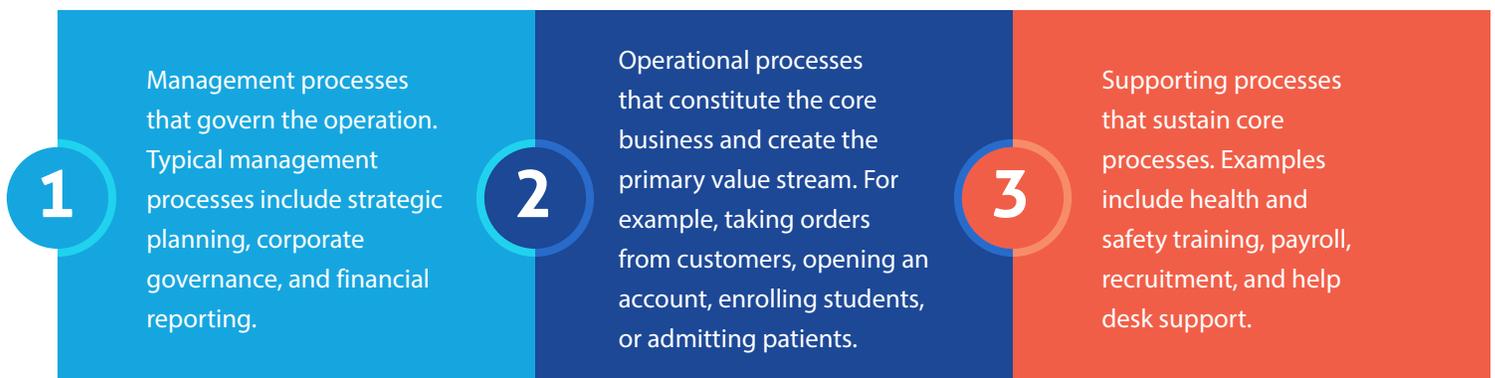
One of the obstacles to Business Impact Management is the difficulty in defining business processes correctly. As straight-forward as it sounds, there can be many ways to define your business processes depending on the perspective of the people and teams you are engaging. A failure to appropriately define business processes from the perspective of risk and resilience can result in the inability to manage potential disruptions and business impacts effectively.

A business process can be defined in the following ways:

- A fundamental building block of the organization
- A service provided by the organization for the benefit of its constituents, e.g., customers, members, employees, shareholders, students, patients, etc.
- A business activity that can be outsourced or insourced

As an example, ordering laptops should not be considered a business process, whereas managing desktop technologies would be considered a process warranting an impact assessment.

There are three basic types of business processes:



These can be grouped by department, functional area, or by contribution to the products and services of the organization. The first step to successful business impact management is to correctly define your organization's processes.

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### STEP 2: GATHER IMPACT DATA

Once you have defined your processes, you need to gather data to understand how these processes can be disrupted, and perform analyses that deliver actionable insights regarding impacts to the business, and outage tolerances before more severe impacts will occur.

The first question to ask about any process is “What will be the impact from the loss or disruption of this process, and how significant will that impact be?” Typically, this question will consider impacts in four major categories: Financial, Operational, Reputational, and Compliance. Additional categories that may be applicable to your business include Delivery of Services, Customer Care, Member Services, and related non-financial customer metrics.

When measuring the impact, it is best to specify the implications of the impact qualitatively (e.g., as a minimal, material, significant, or catastrophic impact). The purpose of this approach is to enable your “information owners” to respond with what they know about the level of impact to their business processes rather than their assumptions or speculation of the executive perspective about the impact to the business.

Next, you need to identify “How quickly will the effect of the impact be reached?” This is referred to as the “velocity of impact”. The velocity of an impact will influence your mitigation measures as much as the size of the impact itself. The sooner the effect of a disruption will be felt, the faster your mitigation measures must be to minimize business impact and maintain business resilience.

The next time-based question is “What is the maximum tolerable outage duration?” In other words, what is the maximum amount of time the organization could operate effectively without the availability of the service delivered from this process? This establishes the timeframe in which supporting processes, IT systems or Vendors need to be operational and can be used in the creation of Service Level Agreements (“SLAs”).

Finally, you will want to explore “What existing measures have been implemented to mitigate the impact on the organization if this process is lost or disrupted?” You may have some level of inherent resiliency or may have already implemented certain measures and workarounds to reduce the exposure or, conversely, you may discover that a critical process is lacking any mitigation measures whatsoever.

**“What will be the impact from the loss or disruption of this process, and how significant will that impact be?”**

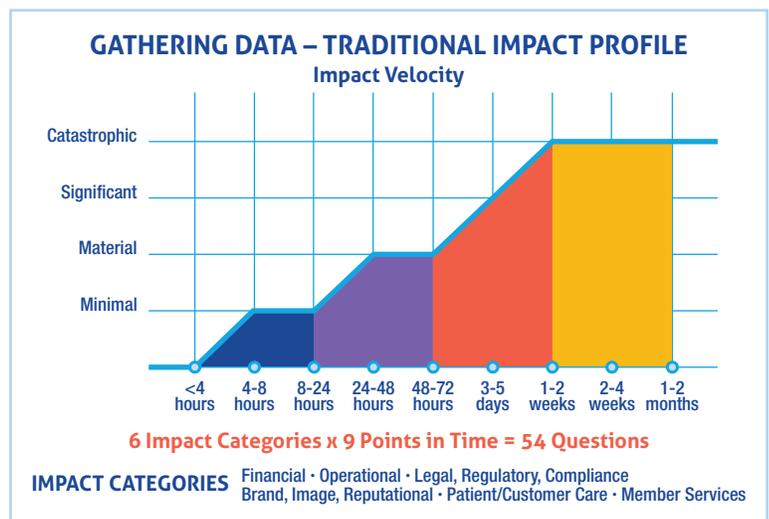
**“How quickly will the effect of the impact be reached?”**

### STEP 3: SIMPLIFY THE IMPACT PROFILE

One of the biggest problems BCM practitioners face in conducting a traditional BIA is collecting too much data in the BIA process. Without a plan to use the business impact information productively, it can be difficult to define in advance what is useful vs. merely “interesting”, and what level of detail is required to make effective decisions. Business Continuity practitioners can easily create an overly cumbersome BIA that the business process owners seek to avoid rather than embrace. In addition, many practitioners find themselves paralyzed by the amount of data they are attempting to analyze, and overwhelmed by the amount of information they feel they must maintain.

Consider this example of a Business Continuity Manager who, with the support of their BC steering committee, identifies six categories of impacts to measure business processes against. Next, in the desire to develop a detailed and granular understanding of when impacts become critical, they establish 9 specific points in time to measure the velocity of impact.

While well-intentioned, this approach creates 54 questions that need to be answered for each and every business process! This makes for a lengthy and cumbersome survey for employees participating in the BIA, and the resulting data can be suspect as respondents may struggle to provide such granular answers. The BCM practitioner faces information overload and may face significant push back the next time the BIA must be conducted. While a hypothetical example, this scenario plays out time and again in many enterprise organizations.



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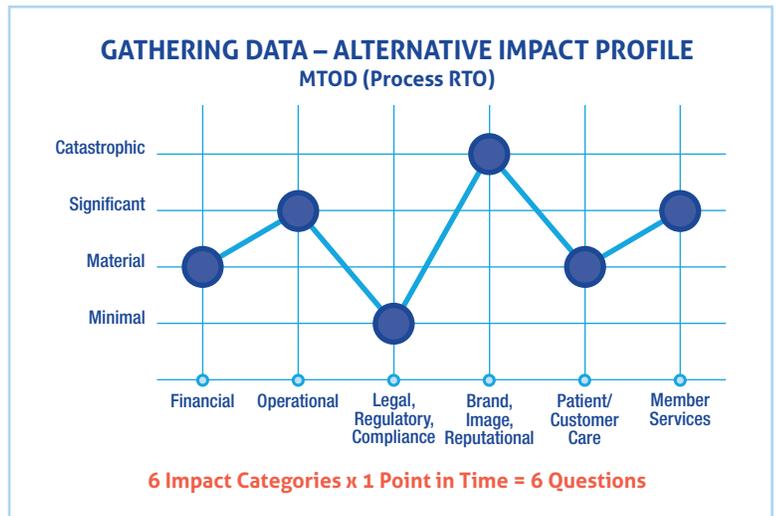
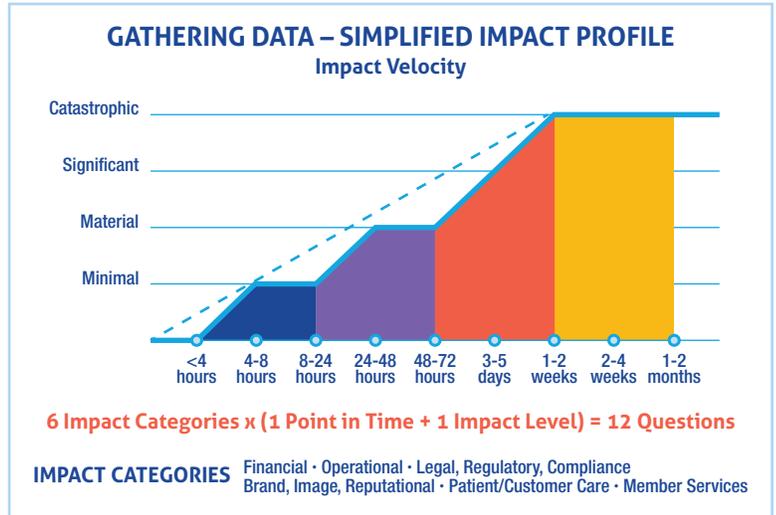
Before you find yourself in this situation, consider using a simplified approach to achieve a similar impact score by asking just two questions for each impact category:

1. What is the greatest impact that could possibly occur?
2. When does that impact occur?

Even if an organization keeps all six impact categories shown in the example above, the number of questions is reduced from 54 to 12 - and the same scoring result can be achieved.

As an alternative approach, you can simply ask the level of impact at a single, pre-determined point in time. For example, 48 hours after a disruption, what would the impact be in each of the six impact categories used in the example above? Here, you have just six questions to answer for each business process.

Asking fewer questions can result in better answers and an improved experience for everyone involved in providing responses and gathering information to build your business impact profiles.



## STEP 4: DEVELOP THE CRITICALITY PROFILE

Since you may be limited in the resources you have available at time of crisis to implement mitigation measures, you will need to differentiate your businesses processes by developing a criticality profile for each process.

The criticality profile should be based upon the answer to the question “How critical is this process to the mission and core values of the organization?” This will enable you to prioritize your efforts and focus on mitigating the exposure of those processes which are most important to the organization.

To develop a criticality profile for a business process, identify three to five areas that are important to your organization and measure the process against them. Consider the following areas to score business processes and produce criticality profiles:

Relative Criticality	Key Business Performance Indicators
Process Role	Supports Life/Safety
Systemic Impact	Sells Products/Services
Maximum Tolerable Downtime	Ensures Product/Service Quality
Services Customers/Members	Ensures Safety/Compliance

For example, if a business process has a very short maximum tolerable downtime, generates a systemic impact when disrupted, and provides a key service to customers, it would be assessed as highly critical to the organization.

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### STEP 5: DEPENDENCY MAPPING

Next, you need to consider the relationships between the fundamental building blocks of your organization. “What are the dependencies associated with this business process?”

This includes the relationships between your processes, sites, applications, suppliers, and people. In addition, business processes depend on one or more “upstream” business processes, and also feed into “downstream” business processes on which those depend. Articulating the relationships between organizational building blocks will enable you to understand how your organization works and how it can break, how disruptions can be prevented, and how the organization can recover when disruptions are unavoidable.

By combining dependencies, criticalities, and impact profiles, you will be able to more clearly understand your organization – for example, whether an apparently non-critical process is actually highly critical because of critical processes depending on it. Bringing all this information together to conduct gap analysis reveals where mitigation factors are adequate, may be lacking, or potentially over and above what’s needed relative to the identified criticalities and impacts of the business processes. These discoveries represent opportunities to shift resources and reprioritize investments to where they’re needed most.

Dependency mapping defines these relationships within the context of the overall organization. It shows how a disruption to one fundamental building block can have impacts that extend beyond that single process, application, facility, etc. You can then use that information to develop better strategies for managing and mitigating potential impacts.



## STEP 6: ESTABLISH MITIGATION MEASURES

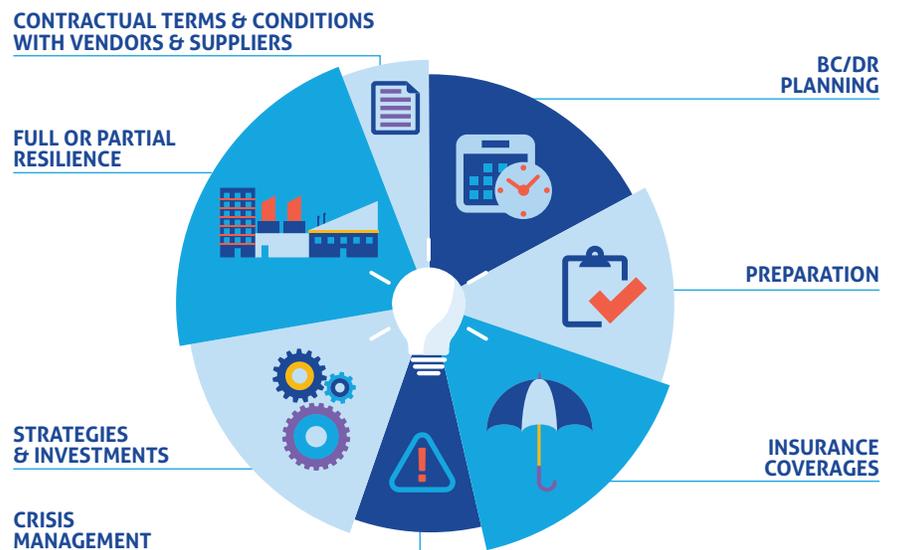
Having built and analyzed your impact profiles, criticality profiles and dependencies for each of your business processes, the next step is to establish or adjust mitigation measures as may be needed to meet outage tolerances and business requirements.

Think of mitigation measures as either proactive or reactive. Proactive measures include strategies and investments such as alternate capabilities and capacities (e.g., alternative supplies, locations, process, staff, etc.), or establishing full or partial resilience in which the business process is conducted across multiple locations and can accommodate incremental workloads that may be shifted from an impacted location during a business disruption.

Reactive measures include more traditional activities such as BC/DR planning, preparation, and crisis management to deal with disruptions as they occur, insurance coverages to limit financial exposure following a disruption, and contractual terms and conditions with vendors and suppliers to address resilience requirements for outsourced processes, raw materials, and similar external business dependencies.

Evaluating and deploying the appropriate mix of proactive and reactive mitigation measures bring varying levels of investment, work effort, and results that must be considered from an executive and operational perspective to define an optimal approach that will work for your enterprise.

### DETERMINING THE APPROPRIATE MIX OF MITIGATION MEASURES



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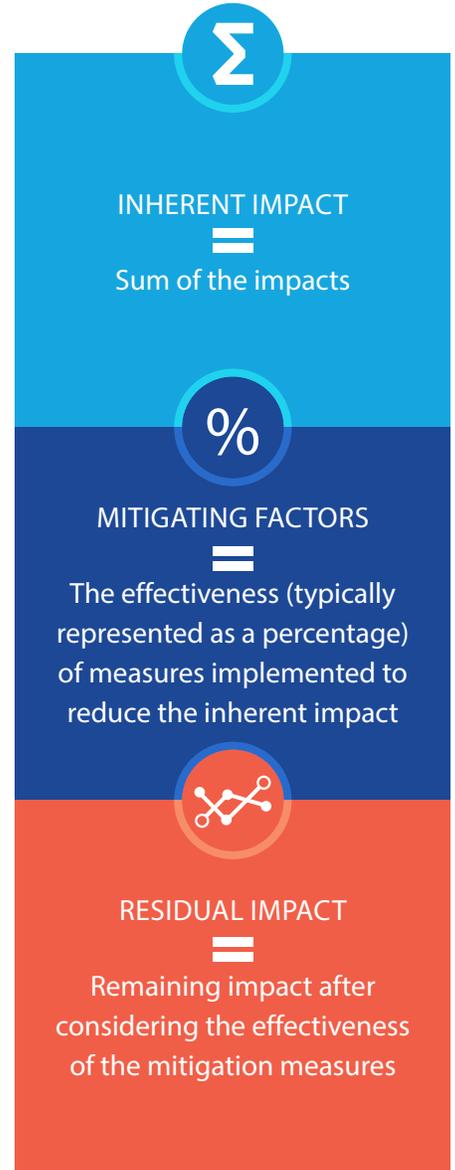
### STEP 7: TRACK MITIGATION MEASURES

Because your enterprise is undergoing constant and incremental change, establishing mitigation measures is not the end of the story. In fact, if you have gathered and organized the appropriate impact information effectively, you will be well positioned to track and analyze the effects of every mitigation measure that has been implemented. Mitigation measures reduce the inherent impact of a disruption and what remains is the “residual impact” after considering the effectiveness of the mitigation measures.

Tracking mitigation measures provides multiple benefits, including:

- A clear understanding of the potential business impact that can result from a process disruption
- An accurate assessment of the results of efforts to reduce the effects of a disruption to your organization
- Identification and prioritization of gaps in mitigation measures for critical business processes
- Improved decision-making regarding effective and economical strategies for proactive and reactive mitigation measures to reduce risk and contain exposures
- Ongoing monitoring of residual impact and changes over time

### Inherent Impact vs. Residual Impact

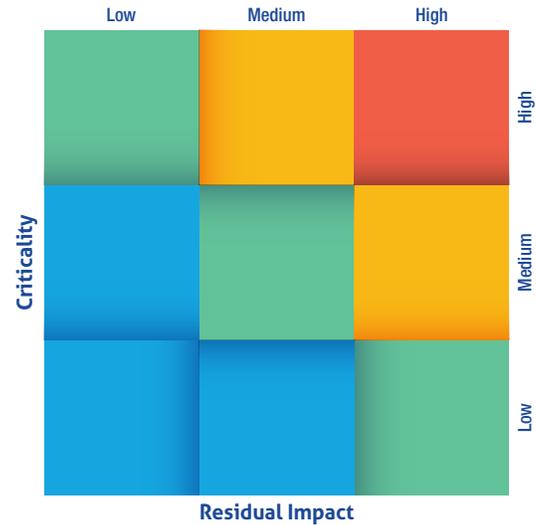


## STEP 8: CREATE ACTIONABLE INFORMATION

By coupling the criticality profile for each business process with its residual impact score, you create a simple yet highly effective nine-box heat map. Rather than the traditional analysis of “impact vs. likelihood” found in legacy heat maps, comparing criticality against residual impact turns your data into actionable information. Use this heat map to demonstrate that appropriate levels of focus are being applied to the most critical areas of your business.

This heat map brings focus to business processes categorized as being most critical and having the greatest impact on the organization if disrupted. For example, a business process with low criticality and medium residual impact is a lower priority than a business process with high criticality and high residual impact. By placing each business process in the applicable box (below) based on criticality and residual impact, the heat map will show where you need to concentrate your efforts to improve your business impact management.

### CREATING ACTIONABLE INFORMATION FROM YOUR DATA



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### STEP 9: ESTABLISH PERFORMANCE METRICS

Establishing performance metrics is essential to effective Business Impact Management. Performance metrics allow you to measure your efforts and demonstrate results for the investments being made.

Use comparative analyses based on relative performance to past periods showing a reduction in risk and improvements over time year over year, quarter over quarter, or month over month. This makes a powerful statement on the progress of your BCM program and the results for your enterprise.



The decision of what to measure is up to you and differs for every organization. For example, you might choose to measure the number of processes in the high impact or high criticality area of the heat map, or you might track the number of mitigation measures implemented, or you might report on the amount of inherent impact that has been reduced. A combination of all these can make sense for your various audiences within your organization and your own management approach. The bottom line, however, is if you don't measure business impact, it's almost impossible to manage.

## STEP 10: DRIVE ENGAGEMENT AND OUTCOMES

Finally, in the effort to transform your approach from legacy BIA's to true Business Impact Management it is important to think in terms of driving engagement and outcomes.

Driving engagement means establishing ownership and accountability among those responsible for the business processes and who can attest to the criticalities, dependencies, and impacts from disruption across all the categories of impact you seek to measure. Achieving this ownership and accountability requires an effective approach, a relevant organizational model, and appropriate tools to make the process easy and productive for those participating in your Business Impact Management process.

Driving outcomes means earning a seat at the table with your executive leadership by delivering a perspective on how the business can be disrupted, what levels of resilience exist, and the priorities for investment in further risk mitigation.

As business leaders, Business Continuity Managers need to be in command of their program, and in control of their activities throughout the entire BCM program lifecycle. It begins with Business Impact Management and includes:

Developing strategies to avoid or reduce the business impacts from disruptive events.



Providing information that creates knowledge and power to make effective decisions.

Ensuring effectiveness, efficiency, and economic value in prioritizing investments and demonstrating results.



Delivering to your organization the capabilities to manage events that cause disruption and impacts.

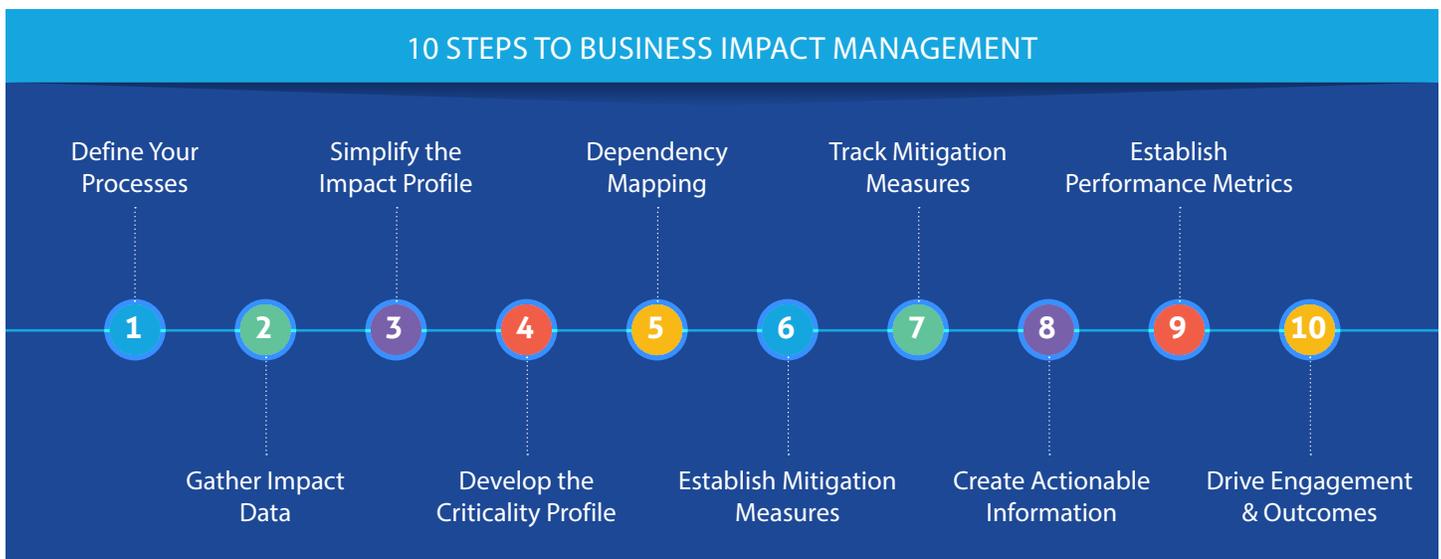
One of the most effective ways to drive engagement and outcomes is through the use of dashboards. Dashboards enable interested parties to quickly assess the status of criticalities, dependencies, residual impact, and gaps. Dashboards must be based upon current and accurate information which require an effective management process to gather and maintain this information. Dashboards fail when the information is out of date or inaccurate, or simply presented so infrequently as to not offer an effective contribution to the decision making process.

As the organization and its business operations change and evolve over time, the impact, criticality, and dependency profiles for each business process must be revisited and revised on a more frequent basis than enabled by the traditional BIA. The result of these changes is your mitigation strategies and investments must be evaluated and re-evaluated more frequently to ensure your business continuity program is effective and economical.

## TRANSFORM YOUR ORGANIZATION THROUGH BUSINESS IMPACT MANAGEMENT

By following these ten steps to Business Impact Management, you can transform your approach to gathering and maintaining information about your organization, improve resiliency to withstand disruptive events, and better manage exposures. You will bring focus to the most critical areas of the business that create the greatest risks and exposures. Your people will better understand the organizational impacts of a disruption to their business processes and will be empowered to identify more effective mitigation measures. Your organization will be better prepared to respond effectively to potentially disruptive events. You will have the information at hand to enable better decisions on the investments made in your business continuity program.

As the limitations of legacy approaches have become impossible to ignore, it's time to move beyond the traditional BIA to embrace Business Impact Management. Begin the process today to be better prepared for whatever may come tomorrow.



To learn more contact Fusion Risk Management at [fusionrm.com](https://fusionrm.com).

## ABOUT FUSION RISK MANAGEMENT

We are passionate about Business Continuity Risk Management. Fusion is driven to build innovative solutions that improve program effectiveness and efficiency while minimizing cost. We believe that the effective business continuity plan is a dynamic collection of information, not just a document or a script. We know from experience that success in a crisis is a function of making great decisions.

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