

Business Impact Analysis — Myth and Reality

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The need for a Business Impact Analysis as a prerequisite to recovery planning is on the lips of many contingency planners of late. Somehow, they know that a recovery strategy must be founded upon the needs of the business. However, a great deal of disparity exists among planners as to the objectives of a BIA, how it should be conducted, and where it fits into the overall contingency planning process.

Virtual Reality

Many contingency planners, conceding that a BIA is necessary, give lip service to the need but then conduct exercises labeled BIA that have little effect upon the resulting recovery plan. They think they're performing a useful function, but they're not. Virtual reality.

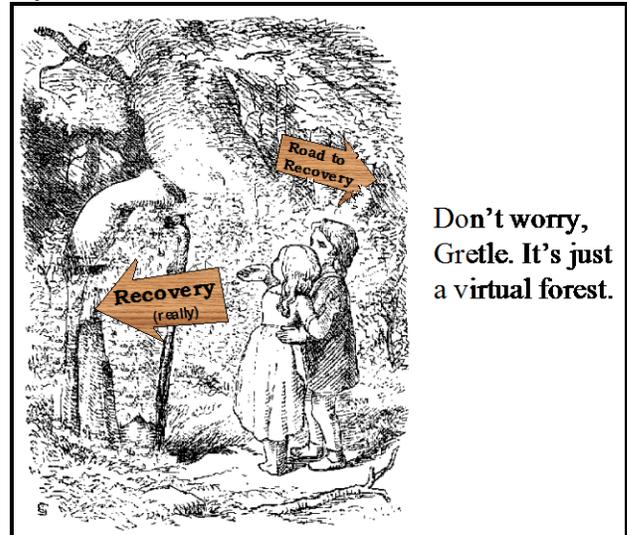
Other planners find reason not to conduct a BIA, fantasizing that they can predict recovery resource requirements without seriously addressing acceptable downtimes from a business perspective. Still others feel that their pre-set budget drives the recovery plan, so why go through the up-front analytical effort. In either case, the thought is that recovery planning can be legitimate without knowing the requirements for recovery. Virtual reality.

A mail order distributor, Amalgamated Share Holders,² which outsourced its data processing, felt no need for a disaster recovery plan, much less for a BIA. They were assured by their outsource vendor that their processing was thoroughly recoverable, but Amalgamated failed to consider that their vendor might withdraw support during contract re-negotiations. The prospective impact of this withdrawal threatened huge financial losses, so ASH postponed contract negotiations and put a fallback strategy (disaster recovery plan) in place. Having thus improved their negotiating position substantially, ASH secured breathing room with a new contract and then wisely positioned themselves to break free of the vendor. Today, ASH enjoys the perception of greater control by operating their own data center. As of this writing, however, they have no recovery plans for anything but their data center, and, for failure to conduct a BIA, they have little understanding of possible business losses following a disaster. Having successfully dodged one bullet, ASH sits fat, dumb, and happy in the path of another. Virtual reality.

Lessons: (1) Outsourcing does not preclude the need for a BIA—or a recovery plan. (2) Surviving a catastrophe should be a warning, not a consolation.

Virtual reality is the perception that what you're doing is materially affecting what's happening when it's not. That's permissible for playing games—and game playing certainly serves many useful purposes—but time and money can be notoriously wasted while believing in a process whose objectives are nowhere in sight. You

may live out your fantasies on the holodeck of the Starship Enterprise, but will that defeat the Klingons? Sometimes virtual reality can have a material effect and be useful. Movies that predict the serviceability of VR technologies, like *Disclosure* and *Johnny Mnemonic*, provide credible examples of that concept. However, for virtual reality to be useful, it must coincide with realistic objectives.



The realities of Business Impact Analysis are often misconstrued, because BIA is a research project, and few business or Information Technology people are truly research knowledgeable. Many IT people are not even business knowledgeable, but these are the people asked to evaluate recovery requirements simply because they have the technical knowledge to write recovery plans. Such assignment is unfair to the planner and to the process.

As a result, myths abound in the forming of BIA objectives and methodologies. Following are the prominent misconceptions and their corresponding realities.

Purpose of a Business Impact Analysis

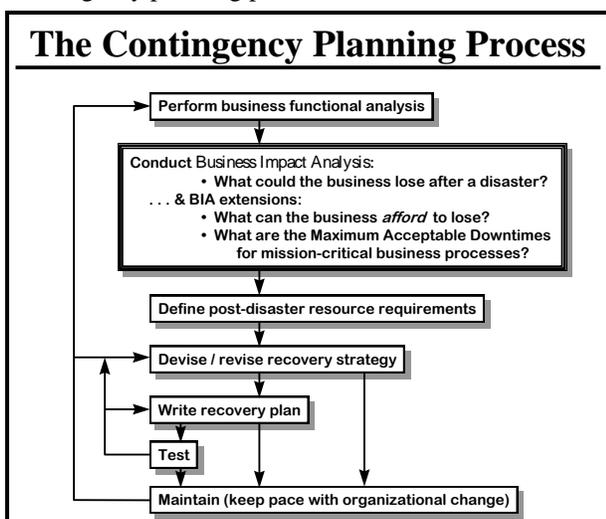
Myth: All the BIA needs to tell me is how much money I could/would lose in some combination of disaster scenarios. If I can set a dollar amount on prospective losses, I've met my BIA objective.

Reality: Not quite. Dollar amounts are barely achievable and not too useful in measuring customer service, corporate image, and legal commitments. The planner who reports dollar losses to senior management in satisfaction of a BIA is likely to be unhappily surprised by the response, "Good work; so what?" Results of this sort present more problems than

solutions. How will those results help management to determine a recovery strategy?

Myth: The purpose of a BIA is to understand which computer applications or business functions to recover first.

Reality: Strictly speaking, the purpose of a BIA is to determine what the corporation could lose (not just money) in the event of an operational outage that affects mission-critical business processes. However, in order to conduct a meaningful BIA, it is important to know the role of the impact analysis in the overall contingency planning process.



The ultimate objective in this context is to define post-disaster resource requirements upon which a recovery strategy may be based. Working backwards, resource requirements depend upon how much the business can afford not to have within meaningful time-frames following a disaster. Therefore, the BIA needs to include (or be followed by) an analysis of affordability. Typically, this affordability is expressed in terms of “Maximum Acceptable Downtimes” (MADs) for mission-critical business processes. So the bottom-line purpose of a BIA is to obtain MADs.

Computer application or business function priorities are decidedly not the objectives of a competent BIA exercise. While information on such priorities may fall out as a side benefit, the determination of same does not contribute appreciably (if at all) to the determination of a recovery strategy. At best, such priorities may form the basis for certain recovery tactics as may be used by the heads of specific functional work units¹ in formulating their recovery plans.

Myth: If I perform a BIA, I’ll know what resources I need to recover.

¹ The term “functional work unit” is used herein to signify a discrete group of people who perform similar tasks or activities.

Reality: Maximum Acceptable Downtimes derived through the BIA process are the basis for determining recovery resource requirements. The latter determination is not the result of a BIA but requires a separate exercise whose participants are functional work unit heads. That exercise may (and should) immediately follow the BIA but is not an objective of the BIA process.

When is a BIA Needed?

Myth: For contingency planning, a BIA only needs to be conducted prior to writing the first recovery plan. Once the plan is written, a BIA is superfluous.

Reality: Having a plan or knowing acceptable downtimes does not preclude the need for a BIA. The latter is an ongoing process. Business impacts change over time for various reasons, e.g., shifting product dependencies, market fluctuations, and process modifications. Change in business impact affects recovery resource requirements, and recovery strategies are based upon these requirements.

A major division of an international corporation consolidated tens of locations into two, maintaining mirrored functions at both locations to support a reciprocal recovery strategy. Several months after the consolidation, the company’s management woke up to the fact that mirrored functions did not account for the impact the surviving site would sustain when it became the recovery site. Furthermore, they did not know how long after a disaster either site would be able to handle the mission-critical functions of both sites. An impact analysis revealed that as less critical functions became more critical after an outage, the additional resources required would exhaust the facilities of the smaller site after three days. The corporate division needed to revise their recovery strategy by providing a third site. Had this analysis been conducted prior to the consolidation, the implementation of the strategy may have been significantly less expensive. More important, the division would not have been fully recoverable had a disaster occurred prior to the implementation of the new strategy.

Lesson: It is wise to follow the carpenter’s rule, “Measure twice; cut once.”

Myth: A BIA is not necessary, because the availability of resources drives recoverability. The resource providers (e.g., IT, insurance providers, senior management) will tell the business units how much can be recovered and how quickly, and the business units will have to work around that.

Reality: The need for recovering critical business processes drives the recovery resource requirements, not the other way around. The absurdity of this myth is more shocking when you realize that it is not technicians who hold that view so much as senior managers! After all, it’s the managers who say, “Your recovery plan is limited by your budget; do the best you can.” The question germane to such a posture is,

“Shouldn’t the needs of the business drive the budget?”



I should've done a Business Impact Analysis!

Setting the Scene for Analysis

Myth: It's important to know the type of disaster from which you're planning to recover, because impacts will differ with different types of disasters.

Reality: The type of disaster is unimportant to an impact analysis. Focus should be placed upon how the loss of processes will affect the business, not how or why the processes were lost. Spending two minutes discussing the types of disaster that may befall an organization is a waste of two minutes.

Myth: By definition, operational disasters happen to facilities. Therefore, all planning should be centered upon recovering specific locations.

Reality: This is not an outrageous misconception but merely a matter of emphasis. The location of the disaster is in fact central to the planning project, but the focus of the project should be the recovery of functionality that supports critical processes. After identifying corporate mission-critical processes, the very next level of narrowing the scope of the analysis is determining which locations are to be recovered. Secondly, it's important to define the scope of damage from which you wish to recover. Most planners work from a worst-case scenario, usually the loss of the entire facility. Whatever the scope decided upon, keep it consistent throughout the analysis so that planning participants will not be confused.

Myth: For planning purposes, it is not necessary to define the extent of potential damages. What's important is that the facility is unavailable.

Reality: Theoretically, this is true. However, it is practical to describe an eminently understandable damage scenario so that short-term participants in the planning process will be able to quickly envision the loss and provide their expert input with minimal distractions.

Method of Evaluation

Myth: The results of a BIA are based upon objective statistical manipulations, and there is no need for “buy-in” among managers. *Corollary:* The collection of questionnaires and perhaps a few pointed interviews is all the input required to analyze business impact.

Reality: At the foundation of the BIA is the attempt to ascertain what the corporation could lose following a disaster. The predictive nature of this exercise makes it highly subjective, filled with fuzzy logic, however valid. In the words of James Baldwin, “No one can possibly know what is about to happen: it is happening, each time, for the first time, for the only time.”³ The best that can be done to obtain a near-objective conclusion is to obtain consensus among subject-matter experts. Face-to-face structured interaction is imperative for arriving at valid conclusions. A subordinate benefit of this interaction is the orientation of the various levels of management who need to participate in the data collection and analytical effort. Consensus among these managers contributes to their support of senior management decisions regarding a recovery strategy. The interactions which are necessary during a BIA present an ideal opportunity to secure middle management understanding and buy-in.

In an abortive attempt to steer contingency planning efforts, the Ace Power Utility² distributed questionnaires to middle managers and IT analysts to determine which computer applications were important enough to recover. A tabulation of the results showed that Billing was the most critical application, because the loss of it would have the greatest direct financial impact upon Ace Power. A more extensive inquiry, however, which included senior managers, focused interviews, and a business-oriented methodology, revealed that the Maximum Acceptable Downtime for Billing was a whopping 24 days! Line Repair and the Customer Call Center were far more critical in terms of customer service, regulatory concerns, and the corporate image. The financial impact of an operational outage for APU proved to be the least concern.

Lessons: (1) Tabulation of questionnaires alone is not a BIA. (2) Computer applications support business processes; they are not business processes. A study of impact needs to be a business inquiry. (3) Conclusions which seem obvious are not always the most valid. In a Business Impact Analysis, avoid the obvious and seek expertise at various levels to obtain consensus.

Myth: An unstructured, intuitive BIA is just as valid as a highly structured analysis that achieves consensus among subject-matter experts.

Reality: In guessing recovery resource requirements, it is inadvisable to err on the light side. Therefore, the ongoing cost of the recovery strategy generally increases corresponding to the increased amount of intuition used in conducting a BIA. Some intuitive

² The events described in this example actually occurred, but the name of the company is fictitious. Any similarity to an existing company name is unintentional.

judgments are inevitable, but informed decisions regarding Maximum Acceptable Downtimes are best.

Maximum Acceptable Downtimes

Myth: Mission-critical processes are those which need to be recovered first.

Reality: There is an indirect correlation, but the identification of mission-critical processes should not involve an estimate of acceptable downtimes. Rather, the appropriate question is, “What processes contribute most to the corporate mission?” For example, in banking, commercial banking processes may be more important by far than retail (branch/ATM) processes. In fact, some banks may not consider retail operations to be mission-critical at all. However, retail banking tends to be more urgent in terms of customer service, so acceptable downtimes may be shorter than those of processes that support Commercial Loans, for example.

Myth: The corporation or division or department has an acceptable downtime.

Reality: It is not useful to apply acceptable downtimes to the corporation as a whole or to corporate entities. Downtimes apply to processes, and most corporate processes span departmental boundaries. It is highly unlikely that all mission-critical processes need to be recovered at exactly the same time.

Myth: Data processing dependency determines the acceptable downtimes of functional work units. If I know an application should be restored within a certain period of time, then all work units which use that application must be recovered in that time period.

Reality: The need for a given functional work unit after a disaster has no relationship to its dependency upon data processing. Furthermore, the importance or priority of an application is not determined by the number of users. The application may not be used for mission-critical purposes or by a critical functional work unit. In days gone by, when data centers were the focus of business continuity, many a telecommunications specialist was instructed to prepare recovery links to users based upon application importance as determined by systems analysts! Virtual reality.

Resources

Myth: If a functional work unit is needed to recover a critical process, I need to recover it all at once.

Reality: Typically, functional work units do not need to be recovered in their entirety right after a disaster. Functional work unit heads need to estimate which

resources (especially personnel) they will need in what time periods following a disaster. They base their estimates on “acceptable downtimes” for the process(es) they support, as determined previously by other parties.

Myth: Every functional work unit here today will be needed immediately after a disaster.

Reality: Not every functional work unit is needed immediately after a disaster. For example, the corporate library may provide an essential service, but other libraries can be used with less convenience. Moreover, work units that do not support mission-critical processes may be important but not critical to the survival of the business.

Reality

Business Impact Analysis supports the contingency planning process, and the purpose of contingency planning is to recover the operational functionality of a business entity after a disaster in whole or in part within specific time-frames. To determine what that part is and when it needs to be recovered, a BIA needs to be conducted. A BIA that doesn't lead to a cost-effective recovery strategy is virtually useless.

³ The Price of the Ticket, “The Devil Finds Work”, St. Martin's/Marek (NY, NY), 1985.