The Importance of Performance Metrics in Business Continuity

Paul Kirvan, FBCI, CISA
BCM Advisory Services
Board Member and Secretary
The Business Continuity Institute USA Chapter
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- Key Risk Indicators
- Roles of KPI and KRI in BC/DR
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Introduction

As the business continuity and disaster recovery professions continue to mature, there is a growing interest in techniques to measure the performance and effectiveness of these programs.

This session examines two metrics that are well known to senior management: *Key Performance Indicators* and *Key Risk Indicators*. In this session we’ll examine how these metrics can be used to evaluate BC/DR program performance.
Introduction

• BC and DR are all about metrics
• This session discusses two metrics
  ✓ Key Performance Indicators
  ✓ Key Risk Indicators
• ... and their roles in BC/DR
Quick Poll

Do you currently use any specific performance and/or risk metrics?

a. Yes, we use KPI and/or KRI at my company
b. Maybe, and we need to address them more closely
c. No, but would like to investigate their use further
d. No, and have no plans to use them
Key Performance Indicators
Key Performance Indicators

A key performance indicator (KPI) is a measure of performance, or **how well specific outcomes are achieved** based on pre-defined processes and procedures.
Key Performance Indicators

KPIs help an organization **define and evaluate** how successful it is, typically in terms of making progress towards long-term organizational and business goals.

"What is really important to our stakeholders?"
Key Performance Indicators

How KPIs can be used

- **MONITOR**: Monitor and analyze KPIs to assess the current state of the business and/or technology
- **IDENTIFY**: Identify corrections that ought to be made
- **PRESCRIBE**: Prescribe a course of action
- **MEASURE**: Measure the results
Key Performance Indicators

Frequently used to "value" difficult-to-measure activities

Benefits of Leadership Development

Quality of Service (inside and outside)

Customer Satisfaction
Key Performance Indicators

Key environments for identifying KPIs are:

• *Having pre-defined business processes*
• *Requirements for those business processes*
• *Quantitative/qualitative measurement of the results and comparison with established goals*
• *Identifying variances and adjusting processes and/or resources to achieve short-term goals*
Key Performance Indicators

BC/DR performance indicators:

✓ Recovery Time Objective
✓ Recovery Point Objective
✓ Service Level Agreements
✓ Frequency of BCM exercises
✓ Others ...?
Quick Poll

How much value would the use of KPIs add to your business continuity and disaster recovery programs?

a. Very valuable addition
b. Minimally important
c. Not important
Key Risk Indicators
Key Risk Indicators

- Management measure that indicates how risky an activity is
- Provide early warning to identify potential events that may disrupt the activity/project
- Key components of operational risk analyses
Key Risk Indicators

Differ from key performance indicators (KPI) in that KPIs measure how well something is being done while KRIs are indicators of the possibility of future adverse impacts.
Key Risk Indicators

Example of a Risk Indicator:

*Number of customer complaints*

- As customer complaints increase, this could mean operational mistakes and errors of judgment are being made.
- Changes in the value of this indicator could indicate changes in operational risk exposure or operational loss experience.
Key Risk Indicators

Example of a Risk Indicator:

*Frequency and Severity of Storms*

- If the number and severity of storms, e.g., hurricanes, tornados, grows during typical storm seasons, this could increase the chances of damage to the building, employee injuries and/or loss of power.
- Changes in the value of this indicator could indicate potential operational losses.
Key Risk Indicators

Example of a Risk Indicator:

**Falling Stock Prices**

- If the company’s stock price drops and continues to drop that could indicate a loss of investor interest in the stock and the company.
- Changes in the value of this indicator could indicate that the company needs to make major changes in its operations and/or business model.
Quick Poll

How much value would the use of KRIs add to your business continuity and disaster recovery programs?

a. Very valuable addition
b. Minimally important
c. Not important
Roles of KPI and KRI in BC/DR
Roles of KPI and KRI in BC/DR

Key performance indicators and key risk indicators can both be used in business continuity management.

Their value is that they establish specific metrics for analysis of how well a BC/DR program is performing.
Roles of KPI and KRI in BC/DR

Examples of KPIs for business continuity

1. Complete two (2) plan exercises annually
2. Update all BIAs annually
3. Update all risk assessments annually
4. Review/reconfirm roles and responsibilities for BC/DR/emergency teams quarterly
5. Confirm alignment of contact lists with HR databases on a bi-monthly basis
Roles of KPI and KRI in BC/DR

Examples of KPIs for business continuity (cont’d)

5. Review/audit all BC and DR plans annually
6. Conduct training for all BC/DR team members twice annually
7. Conduct a senior management briefing on BC and DR activities annually
8. Conduct employee awareness briefings quarterly

What KPIs are you using in your programs?
Roles of KPI and KRI in BC/DR

Examples of KRIs for BC/DR

1. Delays in completing exercises based on exercise schedules
2. Delays in completing RAs and BIAs on schedule
3. Inability to complete training for emergency team members
Roles of KPI and KRI in BC/DR

Examples of KRIs for BC/DR

1. Delays in completing updates to BC/DR plan documents
2. Major highway construction that could result in damage to infrastructure services, e.g., commercial power, communications
3. Reports from the Centers for Disease Control (CDC) about a flu outbreak that is spreading

What KRIs are you using in your programs?
Roles of KPI and KRI in BC/DR

How can you use KPI/KRI?

Organize KPI/KRI measurement criteria into indexes that measure organizational risks:

**Business Continuity Index** - Track vulnerability and criticality of processes, quality of BC/DR plans and the frequency and adequacy of practices and tests

**Information Technology Index** - Track availability and performance of technology at critical time periods for critical business purposes
Roles of KPI and KRI in BC/DR

When defining KPIs, identify how well specific activities should occur and/or be executed, as well as other specific performance metrics.

Focus KPIs on what specific BC and DR activities should be performed, when they should be completed, how well they are executed.

Use KPIs to identify opportunities for performance improvement.
Roles of KPI and KRI in BC/DR

When defining KRIs, for example, identify areas of highest risk for specific business units or the entire organization.

- **Focus KRI analyses on processes / functions within each business unit as well as the entire organization**

- **Consider how they work and where risks exist that threaten their operation**

- **Identify where a material loss has actually occurred or could occur**
Roles of KPI and KRI in BC/DR

Consider setting *ranges* of indicator value that call for specific actions

- **Low-risk range**: no action required
- **Medium-risk range**: some action required
- **High-risk range**: escalate issue to management; launch other actions to mitigate damage
Mistakes and Pitfalls to Avoid
(the not-so-obvious things)
Mistakes and Pitfalls to Avoid

- No senior management or audit support
- No budget (i.e., no activity)
- Lack of upfront research (e.g., risk/performance metrics, experience by other organizations)
- Lack of documentation (e.g., assume resources are available)
- No step-by-step procedures for implementing a KPI/KRI initiative (assume you know what to do)
- No follow-up after the initiative launched (e.g., was the anticipated value achieved?)
Next Steps
Next Steps

• Determine how KPIs and KRIIs can add value to your existing business continuity and disaster recovery programs

• Identify situations where these metrics and others may be useful

• Review the use of these metrics with management (and the audit department) to ensure their use is acceptable

• Begin defining relevant metrics and create indexes and reports on BC and DR risks and performance
Next Steps

• Develop a plan for implementing the metrics in your BC and DR program efforts
• Integrate KRIIs with risk management activities
• Integrate KPIIs with program management activities
• Use results from KPI/KRI initiatives to identify opportunities for program improvement and improved risk management
Quick Poll

Based on what you’ve learned from today’s seminar, which of the two metrics we’ve discussed would you consider building into your current BC and DR programs?

a. Key Performance Indicator (KPI) only
b. Key Risk Indicator (KRI) only
c. Both
d. Neither
Summary
Summary

We hope you can now see how metrics such as KPIs and KRI$s may add value to your BC and DR programs.

From a BC/DR view, KRI$s and KPI$s can be used to set thresholds and escalation triggers for responding to out-of-normal conditions.

They can also be used to establish and measure program performance levels.
Summary

KRI/KPI thresholds will vary across organizations, depending on management’s risk appetite and performance expectations.

*Use these and other metrics to reinforce the value of BCM to management*

Thank you!
Thank you!

Paul Kirvan, FBCI, CISA
Chapter Secretary, The BCI USA Chapter
Vice Chair, BCI Global Membership Council
Approved BCI Instructor
FBCI Assessor
email: pkirvan@msn.com
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