The process of identifying your critical business functions will work in closely with your risk assessment analysis. You will identify and classify the critical business functions required to run your business. You can determine which are most necessary to continue business during a crisis.
Critical functions are those that are most necessary for continuing your business as you recover from a disaster. They bring in the revenue you need to cover your expenses, and meet your obligations to your customers.

Critical business functions will be different for different types of business. But all share some common purposes: especially keep revenue flowing and meet client deadlines, which usually means you must keep your employees working.

Keep in mind each Critical Business Function may require a specific individual be assigned as the Responsible Person for disaster and disruption planning and recovery. Identify that person and provide guidance.
Determining the criticality of a function requires thinking through the function from various internal and external perspectives.
Hard Impacts have a Direct Financial Impact. Soft Impacts may have an Indirect Financial Impact or a Non-Financial Impact. Examples of Financial and Non-financial Impacts include loss of:

- Reputation
- Revenue
- Goodwill
- Customer confidence
- Competitive edge
- Opportunities
- Trading fees
- Loss of employees’ morale
- Loss of efficiency
- Management fees

To quantify impact determine the potential impact or loss for 1 day and multiply by the number of days the disaster stops your operations. For example, $20,000 received per day in revenue multiplied by 2% interest payment for overdraft, multiply by X days of outage equals the impact for lost revenue. Continue calculations for other quantifiable impact or loss items. This analysis will help you identify and understand critical functions.
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**Quantifying Disaster Impact**

Consider a disaster which stops your business for 5 days:

- $5,000 received per day in revenue multiplied by 2% interest payment for overdraft, multiply by 5 days of outage equals the impact for lost revenue:
  \[ \$5,000 + 2\% \text{ Interest} \times 5 \text{ days} = \$25,500 \text{ impact} \]

- A reduction in Goodwill and Customer Confidence reduces revenue 5% per day for 30 days:
  \[ \$5,000 - 5\% \text{ Revenue Loss} \times 30 \text{ days} = \$7,500 \text{ impact} \]
This form helps you identify the steps to clarify what the critical business functions are so you can prioritize your resources and efforts.

Begin each function description with an action verb, for example administer loans or monitor outstanding transactions.
Finding your Critical Functions

Now that you have an understanding of why it is important to define the critical functions in your business, download the Critical Functions worksheet and complete it.