An Incident: Business System Failure

A business system exists to provide an organisation with structure and process; enabling the control of business operations and an efficient and effective means to meet changing commercial, legal and other external obligations placed on the business. To meet its purpose, a business system should never be considered to be static (or stagnant); instead, through continual monitoring, measurement, analysis and improvement a business system must remain a dynamic entity constantly evolving to its operational surrounds. If an organisation has a business process which exists (on paper, electronically or verbally) but is never utilised than the organisation's business system has most likely become stagnant and may be more of a liability to the organisation than a valued asset.

The effective recognition of the failure of a business system (or multiple system failure) is an extremely important (critical) step if a business system is to assist an organisation to continually meet its obligations and commitments.

More often than not, the reasons for the failure of a business system may be directly linked to two main events: implementation failure or systemic failure.

Implementation failure occurs when the business system process(s) is adequate or fit for the purpose but the operator of the system fails, for what ever reason, to correctly implement the system as required. Too often this form of failure is simply incorrectly blamed on 'human error' concealing the true root cause (refer to the article "Failure and Human Error" readily available from Karza).

Systemic failure occurs when the operator undertakes the correct system process but is 'let down' by an inherent inadequacy of the system or the requirements placed on the business system have changed over time without the system having evolved. Often reoccurring nonconformity in a quality system is a strong indication of ongoing systemic failure, however many organisations spend considerable time and resources treating product failures as 'human error' outcomes.

When the result of a systemic or implementation failure in a business system has or may have the potential to have a negative effect on the business an 'incident' can be considered to have occurred. The first important notion here is that an incident is not the actual failure of the business system, rather the result and consequences of the system failure or potential failure. The second important notion is 'incident' is not a dirty word and should not be hidden or concealed by misreporting or statistical manipulation. Recognising, reporting and dealing with incidents are the only successful mechanism to prevent reoccurrence.

In many organisations business system failure incidents are referenced by the consequence (outcome) of the event (i.e. Environmental, Occupational Health and Safety, Security, Fleet, Property, Quality, Public Relations or IT incidents). Generally when an incident, resulting from business system failure eventuates a range of effects often transpires. A single incident, arising from failure of a single business system, may include damage to property, personal injury, financial loss, environmental degradation and damage to the businesses reputation. By referencing the consequence as the incident too often organisations establish multiple incident management mechanisms, which may record and address the same business system failure if multiple outcomes result from the failure.

By defining an incident based on the utilization of the consequence as the driver too often organisations fail to properly recognise broad business system failure. A vertical or horizontal 'silo' mentality is often inadvertently established within the business as different organisational groups actively address their areas of responsibility, driven by their separate key performance measures, without consideration or co-ordination with other stakeholders. (For example, environmental incidents may be reported and treated utilising only the environmental management team while poor press or public perception may be recorded, reported and addressed by the public relations group. Both groups may be addressing different outcomes from the same failure event.) Often correlation between consequences is never effectively established or the identification of a significant relationship between multiple outcomes takes a considerable time after the initial system failure.

To better address business system failure incidents organisations may find significant benefit from developing a 'global' definition of an incident and from establishing a singular incident reporting and management process. An organisation's ability to establish a multi-disciplined approach to incident management is often hampered by poor resources availability and limited awareness of advancements in incident management practices.

Karza Pty. Ltd. can assist you by: removing complexity from your business systems; evolving your incident investigation processes; managing and assisting your internal incident investigation group through co-sourcing; or by running a fully outsourced internal incident investigation programme for your organisation.

Contact.Us@karza.com.au for more information.