



CONTINUITY PLANS: Critical to Small Business Survival

// ...this was what businesses have needed—a guide and something to work **THROUGH**, and not be **TOLD** to have or create a plan, without being offered any guidance on how to do it. //

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Businesses of any size can suffer a disruption at any time; however, small businesses have it tougher. While large organizations have more financial and physical assets both before and after a disaster, smaller businesses often lack the financial resources for recovery, the ability to spread risk across multiple facilities in different locations, and ready access to alternative suppliers. Yet, Mother Nature, man-made threats and other extreme events are not particular about who they strike, damage or disrupt. Recognizing this reality, one of the keys to survival for small businesses is preparing and planning for potential business disruptions of any kind.

One year ago, the Insurance Institute for Business & Home Safety (IBHS) created OFB-EZ™, a free business continuity planning toolkit to help small businesses translate professional continuity concepts into an easy-to-use guide for their business. Although the past year was one of the least extreme U.S. weather years in memory, a number of significant events occurred that caused substantial property damage and business disruption across all regions of the country. The first half of 2014 has seen severe winter weather that froze pipes as well as the U.S. economy; destructive tornadoes that killed dozens of people and damaged homes and businesses in the South Central and Southeast states; and more than twice the average number of wildfires in California and elsewhere.



The only certain thing about the weather is that it is always changing. OFB-EZ helps small businesses focus on planning for business interruptions regardless of the specific cause, so they can reduce their losses, get a jump start on recovery, and re-open as quickly as possible. By using OFB-EZ, a small business can utilize many disaster planning and recovery best practices without the need for a large company budget to accomplish the planning and protection basics. The toolkit provides a simple eight-step process, and users do not need to be an expert in business continuity planning.

HURRICANE SANDY'S IMPACT ON SMALL BUSINESS

To learn how small businesses can be impacted by Mother Nature, the Federal Reserve Bank of New York conducted a study of 950 businesses located in Hurricane Sandy FEMA-declared disaster areas in New Jersey, New York City, the Hudson Valley and coastal counties in Connecticut (www.newyorkfed.org/smallbusiness/Fall2013/#tabs-2). The study was part of the New York Fed's efforts to understand the issues facing communities in the region and measure Sandy's impact on small businesses and their recovery progress. Business responses were collected between October 2013 and December 2013. The study's findings include the following:



About one-third of the businesses surveyed incurred financial losses. The top sources of losses included:

59% - Decreased Customer Demand

43% - Utility or Service Disruption

29% - Damage to or Loss of Assets



Roughly one-third of the affected businesses had no insurance, and only a few had business interruption or flood insurance.



Half of the businesses paid for storm-related financing needs with their personal resources, while others increased their debt levels.



One year after Sandy, nine in ten businesses reported persisting financing needs to cover operating expenses or to reposition their business.

APPLYING SANDY'S LESSONS TO FUTURE EVENTS

No two storms and no two businesses are the same, but following a disruption a recovery plan will always be needed. Small business owners tend to think that planning takes too much time, that they are too small to need a plan, or that a disaster will never happen to them. However, no business is immune to disruptions, and one in four small businesses forced to close after such events never reopen. That's a lot of livelihoods affected when proper planning and preparedness may have kept them open.

What would an organization do if it encountered a seven-day, 14-day, or month-long disruption? That is a question many small business owners probably have thought about at one time or another but may not have actually addressed by developing a preparedness and recovery plan. IBHS' OFB-EZ toolkit was designed to provide small business owners what they need to create a plan and keep it updated so they are ready for the unexpected. The goal is to help small businesses prepare for disasters before they strike and provide them with immediate direction during an emergency, as well as to provide tools needed to get back up and running quickly and efficiently after the event.



A small business in New Jersey is shown closed as a result of Hurricane Sandy in 2012. One year after the storm, nine in ten businesses located in FEMA-declared disaster areas in New Jersey, New York City, the Hudson Valley and coastal counties in Connecticut reported persisting financing needs to cover operating expenses or to reposition their business.

BENEFITS OF AN OFB-EZ BUSINESS CONTINUITY PLAN

Creating a business continuity plan, such as that provided in the OFB-EZ toolkit, can help small business owners:



Consider and identify what risks and serious threats their business faces and how these threats could impact their critical activities and assets. Owners will be able to focus on the kind of disruptions that are most likely to happen, what the impacts would be, and what measures they can take to reduce those impacts.



Ensure that critical business operations are not shut down. A plan will include how a business' critical operations will continue by concentrating on which activities need to be recovered immediately versus which can wait, developing and documenting workaround methods, and identifying who does what.



Plan for communications with employees, customers, suppliers and vendors during and after an emergency. By having up-to-date personal and emergency contact information and leveraging social media, a business owner can be sure their key stakeholders will not miss out on vitally important information if normal communication channels are down. In addition, they can help plan how to keep customers and suppliers informed about the status of the business, product or service, delivery schedules, and develop mutually agreeable alternative arrangements.



Protect information and information technology as it is extremely vulnerable to many disruption scenarios, ranging from localized power outages to major natural catastrophes. A business continuity plan also reminds employees to inventory and document all information technology and reminds them of the importance of frequent back-ups, off-site storage, and restoration options.



Reduce downtime; every hour a business is down can cost thousands of dollars.



Avoid going out of business, which ensures job security for its employees and a faster recovery for the community.

NOW IS THE TIME TO GET STARTED

No matter what a business does, or where it is located, disasters can strike, sometimes without a moment's notice. For the past year, OFB-EZ has been helping small businesses prepare for the unexpected and respond effectively. Now is the time for small business owners to download OFB-EZ, available at www.disastersafety.org/open-for-business, and create a plan that will help them survive, and even thrive, when disasters - small or large - strike.



Start building your business continuity plan today by downloading the free OFB-EZ toolkit available at www.disastersafety.org/open-for-business.