



Business Continuity Planning Overview

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Business Continuity Plans are a piece of the
creating safer, stronger communities



**The goal for Business Continuity
Planning is –
to return to revenue-producing
activity as quickly as possible**

We're not Just Talking About a Catastrophe...



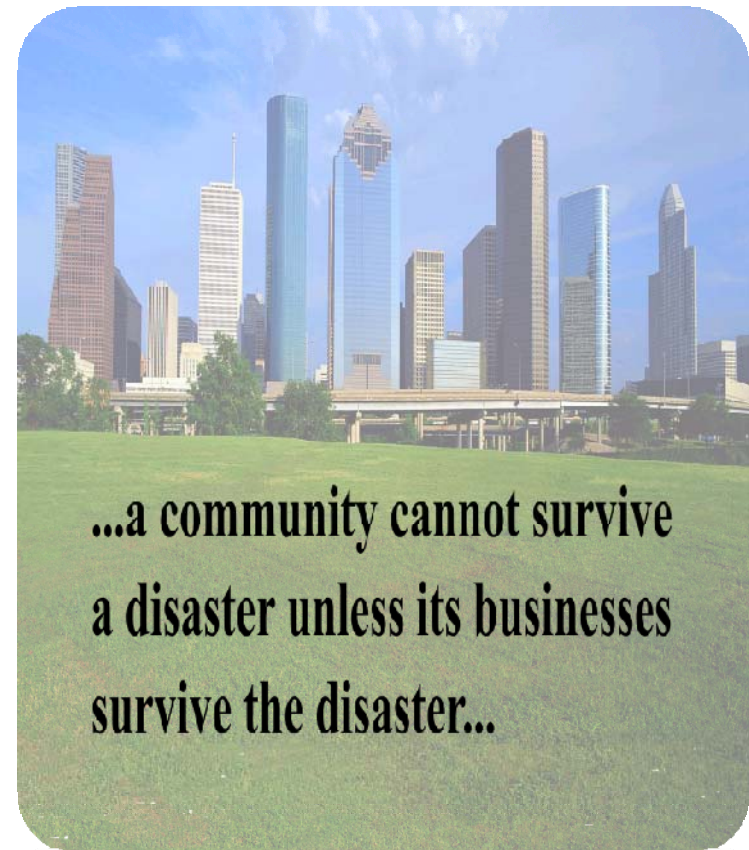
- Natural Disaster/Extreme Weather
- Power Outage
- IT Failure
- Telecommunication Failure
- Fire
- Flood
- Utility Outage
- Environmental Accident
- Pandemic Influenza
- Supply Chain Disruption

Small Business: Backbone of Economy



- 29.2 Million Small Businesses in the US
- 85% of small businesses employ 10 or fewer
- Create more than 50% of the non-farm GDP
- Have fewer resources and capital to recover in the event of a Catastrophe
- 15-40% of Businesses fail following a Disaster
- 94% of Small Business Owners believe that a disaster could seriously disrupt their business within the next 2 years

Sources: SBA Website 092009 & Corporate Executive Board U.S. Small Business Market Report -Spring 2010 , Red Cross 2011



**1 in 4 businesses forced to close after a disaster,
never reopens.**



If That's Not Bad Enough:

- Failure of Small Businesses
- Researchers estimate that approximately:
 - Half of business starts do not survive their first 5 years
 - 8 out of 10 fail within the first 3 years

(Tigges and Green1994; Mason 2011)

Small Business Recovery Challenges

- Small Businesses tend to be financially less stable than their corporate counterparts.
 - Those counterparts have:
 - More resources
 - Time
 - Money
 - Technical know how
 - Diverse customer base / way of doing business

Small Business Recovery Challenges

- 52 % of businesses are operated from the owner's home or property.
- Property damage
 - Impacts both the family and the small business,
 - Contributes to increased demand for goods and services
 - Decreased supply that impairs the chances of both business and family for timely recovery.

Turn Excuses Into Action

- We thought we had no risk
- It takes too much time
- It takes too much money
- We had more important things to think about
- We thought we were too small to need a plan
- We backed up our computers and thought that was enough
- We didn't know where to go for help



Objectives of Business Continuity Planning



Protect people and property

Resume critical business operations

Minimize downtime

Preserve reputation

Meet obligations



Primary Question:



- Who do we depend on?
- Who depends on us?

Top 5 Threats or Risks to Businesses



- Power Loss
- Loss of Sales & Customers
- Length of Recovery
- Uninsured Loss (for continuing operations)
- Uninsured Loss (for destruction of physical property)

NFIB Research Foundation Report

**WHAT ARE YOU DOING TO PROTECT YOUR
BUSINESS?**

10 Steps to Preparedness



1. Assess Your Risk – Both Internally and Externally
2. Know Your Operations
3. Know Your IT Capabilities & Back Up Your Data
4. Prepare Your Supply Chain
5. Prepare Your Employees
6. Create a Crisis Communications Plan
7. Assemble Emergency Supplies
8. Identify an Alternate Location
9. Know Your Insurance Coverage & Finances
10. Test Your Plan

Overview of Small Business Recurring Views of Natural Disasters



1. Illusion of Security
2. Nothing could be done to protect against this
3. Complete 360-degree disaster for the individual
4. Self-imposed limits
5. Imprudent use of financial resources
6. Not understanding what is happening to their customer base
7. Assumption everything will get back to normal

1. Illusion of Security

- Small business owners believe “this could never happen to me.”
- They think their chances of their being a victim were extremely remote
 - Sufficiently remote that they could largely ignore the phenomenon
 - Or simply buy insurance to deal with losses should the event ever occur.

4 Reasons for Not Taking Precautions



1. Owners do not perceive that a risk exists.
2. Owners believe nothing they can do about it
3. Owners choose not to take precautions at this time.
4. Owners may not have the time or the technical capacity to reduce risks at this time.

Financial Push-Pull

- Small business owners have a small financial flywheel to keep them going should the cash flow stop.
- For every dollar that comes in, there are several high priority claims made on it.
- It is often easier prefer to assume the business is secure from the effects of natural hazards.

Common Reasons for the Illusion of Security



- “I Thought I Was Covered”
- “They Built this Levee; We Were Safe”
- “How Can You Have a Hundred Year Flood Every Three Years?”

People choose to internalize very little of the information about the risks and the potential consequences for them.

2. Nothing They Can Do About It



- People had no idea of how they might have protected themselves against the disaster and all the subsequent ramifications that affected them.

2. Nothing They Can Do About It



- The chain of events set into motion by the disaster such as:
 - the loss of inventory
 - the lack of a place from which to do business
 - the intense competition from large out of region businesses
 - the precipitous market decline
 - are too much to overcome.

3. Complete 360-Degree Disaster



- Small business owners are often effected by long-term emotional and psychological challenges precipitated by the disaster they experienced
- Many owners' businesses recovered from the effect of the disaster, but their personal disaster continues.
- The disaster affected their business and livelihood, their home, their family, and almost every moment of every day for months and even years.

4. Self-Imposed Limits

- Owners often made choices in the absence of perceived alternatives.
- Many failed to see that they had alternatives available to them; in so doing, they limited themselves and their potential response to the disaster.
- Many have trouble envisioning an alternative way to make a living

5. Imprudent Use of Financial Resources



- Business recovery is financed with savings, loans, grants, insurance proceeds, the sale of holdings.
- Few grants are available for business owners, and SBA loans must be fully collateralized.
- Some “max out” their own and their relatives’ credit cards or use their life savings to finance their business recovery.

5. Imprudent Use of Financial Resources



- Often financing through government grants, interest free loans, and low interest loans are tied to special conditions.
- Often the owner is not allowed to relocate the business outside the municipality under the terms of the loan or grant.
- Repayment schedules for low interest and interest free loans were usually demanding, sometimes unrealistic in light of the disaster's impact on the entire community.

5. Imprudent Use of Financial Resources



- Owners who rushed to reopen their business after a disaster often found themselves short of customers and faced with the resulting cash flow squeeze.
 - Owners who are deliberate about re-establishing their business sometimes find their customers' buying habits had changed.
 - This also resulted in a cash flow squeeze.
 - There is an overwhelming temptation to hang on until things get back to normal.
 - In the meantime, savings and loan proceeds dwindle, frustration and anxiety mount, and hope becomes despair.

6. Not Understanding What is Happening to Their Customer Base



- Communities change following a natural hazard event of consequence
 - Demographic changes
 - Population density can be redistributed
 - The demographic changes contributed to changed business relationships.
 - Often exacerbated by post-event decisions about private and public choices about what and where to rebuild

7. Assumption Everything Will Get Back to Normal



- The implicit premise of nearly every business owner who reopened their business after a natural disaster was things would “return to normal” before long.
- The hope or confidence that things would soon get back to normal belies the reality of the post-disaster dynamics.

7. Assumption Everything Will Get Back to Normal



- Simply restoring utilities and roads and repairing and reconstructing buildings did not “bring things back to normal.”
- People had moved away, buying habits changed, lives were altered, new people moved in, and patterns and relationships were altered forever.
- The systems and subsystems that comprise the community and the businesses’ environment had changed forever.

Do This TODAY...



- Assess Your Risk
- Employee Contact List
- Suppliers/Vendors List
- Identify Other Key Contacts
- Identify Critical Business Functions
- Identify Possible Alternate Recovery Location

Benefits of Preparation

- Mitigation of loss of life or injury
- Business survival
- Minimizing impact of business disruptions
- Improved supply chain resilience
- Satisfying customer business continuity requirements
- Improved internal processes
- Improved employee relations
- Improved external relationships
- Satisfy customer, shareholder, and stakeholder expectations
- Potential advantage over unprepared competition
- Lower operating expenses
- Protection of brand and reputation

In Conclusion



- The most important variable is the extent to which the owner recognizes and adapts to the post event situation.
- Communities never return to what they were before the event thus the post event environment always different.
- Those who perceive the change and adapts appropriately will have an excellent chance of surviving and become viable again.

In Conclusion



- In contrast those that continue to do business under the old paradigm, assuming that the community will return to pre-existing conditions, have all the cards stacked against their long-term survival.
- Doing what they did before will not work in these changed circumstances.



**WITHOUT AN EMERGENCY PLAN
YOUR BUSINESS CAN END UP HERE.**

Ready.gov/business

Up to 40% of businesses never recover after experiencing a major disaster. Do you have a plan to keep your business running if disaster strikes? For a free online tool that helps you develop an emergency plan, visit Ready.gov/business.



Questions?



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- TRI is a full service consulting firm specializing in comprehensive solutions for small/medium size businesses (SMBs), understanding the role they play in community preparedness and resiliency.
- This is achieved by engaging the entire community's political, civic, business, and other key leadership personnel.
- From personal continuity, business continuity and disaster preparedness TRI understands that your success and future growth comes from your plan.
- Through practical applications across the full continuum of prevention, protection, response and recovery - TRI is your strategic partner - assisting you to see invisible opportunities and solve seemingly impossible problems that will enhance the resilience of individuals, SMBs, and communities

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