

Many firms have no disaster recovery plans

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Despite an unprecedented year of earthquakes, floods, fires and hurricanes in this country, many businesses still do not have disaster recovery plans in place, according to a new study.

The University of Texas at Arlington's nationwide study found that only two-thirds of the companies surveyed had disaster recovery plans in place — and 40 percent of those with plans had never tested them to see whether they were effective.

The survey concluded that 43 percent of all businesses hit by a major disaster would never reopen, and 90 percent would be out of business within two years.

According to Beth Sprinkel, assistant director of the Insurance Research Council, very few business owners think they are exposed to disasters. "We did a small-business attitude monitor in which we surveyed businesses with two to 50 employees," she says. "We found that they don't think disaster is going to happen to them."

Sprinkel says the survey also found that more than 50 percent of businesses have not attempted to obtain insurance for disasters. "So it's a case of businesses not even trying to get coverage," she says.

According to Karen Gahagan, director of information services for the Insurance Institute for Property Loss Reduction, business owners and operators need to think seriously about the possibility of disaster and have their environment assessed very carefully to find unique things that need to be covered. "A lot of business owners think, 'Well, something might happen, so I'll get around to it.' By the time they get around to it, it's too late," she says.

California has experienced a string of dis-

asters, including fires, mudslides, rioting and earthquakes. Mike Marando, spokesman for the California Trade and Commerce Agency, says businesses continue to operate there, sometimes on sheer determination.

"This state shows so much resiliency in the face of disaster," he says. "It's amazing how people who live here can continue to make a comeback."

Despite everything California has been through, Marando says, businesses do not use the threat of disaster as a reason not to do business in the state. "We haven't had many businesses leave specifically because of an earthquake or fire," he says. "Tourism took a hiccup, but now it's back up. The freeways have loosened up. Repairs are being made at critical junctures, and it's a lot better now than it was several weeks ago."

The California Trade and Commerce Agency is an economic development agency responsible for attracting and retaining business in California. The agency also provides loan guarantees of up to \$200,000 for businesses in need of short-term emergency money. The funds are provided to local lenders, who make them available to businesses at prime lending rates with no fees. The applicant must have applied to the Small Business Association for disaster assistance in order to be eligible.

"It takes businesses several weeks to assess damages," Marando said. "The basic intent of this program is to fund businesses within a short period of time. We're getting money to people within seven days, which is extraordinary."

Marando says the most recent earthquake brought in more than 300 inquiries to the agency. "We have already granted loans to six businesses, and we have another 60

applications in-house," he says.

California isn't the only area that has been hit by catastrophe in the past year. The flooding in the Midwest last spring took its toll on many businesses.

"We were multiple feet above the flood plain," says Ross Larson, president of Printing Industries of the Midlands in Iowa. "Businesses that didn't even know they were at risk for flooding found themselves with five feet of water in their buildings."

Larson adds, "We are also protected by a levee system. That's all well and good, but levees are made of mud, and mud washes away with water."

He says many businesses involved in the Midwest flooding had some warning and now acknowledge that they could have prepared themselves or gotten equipment out of their buildings in time. "But they just didn't have disaster plans laid out," he says. "Most of them do now, but they have incentive. We're supposed to have severe flooding this spring, and not all of the levees are repaired yet."

High winds and water damage from Hurricane Andrew cut a swath through Florida, destroying everything in its wake. Sixty Kentucky Fried Chicken restaurants were damaged — 27 of them so severely they had to be shut down, according to Gary Gerdemann, director of public affairs for KFC. However, all of those stores were up and running again within two months' time.

"We have disaster plans for everything you could imagine, and quite a few that you can't," Gerdemann says. "We have had various versions of them for a decade now."

Red Lobster, a division of General Mills Restaurants, had restaurants affected by the flooding, the hurricane and the earthquake. But the company has disaster plans for its

corporate headquarters as well as all of its individual restaurants.

"You can imagine some poor manager who's never experienced a disaster wondering where to start first," says Dick Monroe, vice president of public relations for Red Lobster. "The plans and facilities people take the burden off the manager. Rather than worrying about what decisions need to be made, the decisions have already been made in a calmer time."

During the Hurricane Andrew emergency, Red Lobster trucked in 45,000 pounds of ice several times a day to residents. "We were there so quickly, they were calling us the Red Lobster Red Cross," Monroe says.

So what are some of the things business owners and operators need to think about in creating a disaster recovery plan?

To begin with, conduct a complete survey of your business and determine which areas and services are vulnerable. Check with your insurance agent to see what kind of coverage you'll need.

Then create a contingency plan for each potential problem or area of your business. In the event that you are forced to leave, ask yourself whether it would be possible to re-establish your business temporarily somewhere else.

If your business records are on computer, make backup copies of all data, including software programs, and store the information off-site, preferably at a commercial data storage facility. In the event of a major water catastrophe, your computer equipment would almost certainly be destroyed.

According to Theresa Ingram, administrator for Jones, Skelton & Hochuli, the Phoenix-based law firm's accounting department has been backing up its computer system daily for more than 10 years.

"At night, the last thing we do is back up the system," says Ingram. "And those tapes go off-site every day."

Make a video recording of your business, including all machinery, equipment and contents. The video doesn't have to be expensive, just inclusive of everything you might lose. Store those tapes off-site with your computer data.

Also, remember to include your employees in your written plan. Each employee should have specifically assigned responsibilities in the event of a disaster, and those responsibilities should be in writing. "If someone is not available, you need to replicate their capabilities somehow," says Richard Luongo, assistant vice president of Chubb Services Corp., a risk-management consulting firm specializing in business contingency planning. "There needs to be flexibility in job functions, and all of this needs to be documented."

Once your plan is written down, test it. "The plan must be tested in order for it to be viable," says Andy Marks, senior account executive at Chubb. "It's a living document, and it needs to be updated and run through its paces."

Luongo says a disaster plan can be tested by calling up employees at 4 a.m. and having them report to the office with disaster plan in hand as though they were in a real emergency. The proceedings should be videotaped.

"It's interesting to see how people react when they are truly stressed, and that's going to simulate what may happen if there's a real disaster," Luongo says. "You can then review the tape and fill in the missing pieces you didn't think about when you were relaxing in your office."

For KFC restaurateurs, the past year has been filled with disasters: Hurricane Andrew, the flooding in the Midwest, and most recently the California earthquakes. Says KFC's Gerdemann, "I'd be very happy if this year were a quiet year."

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