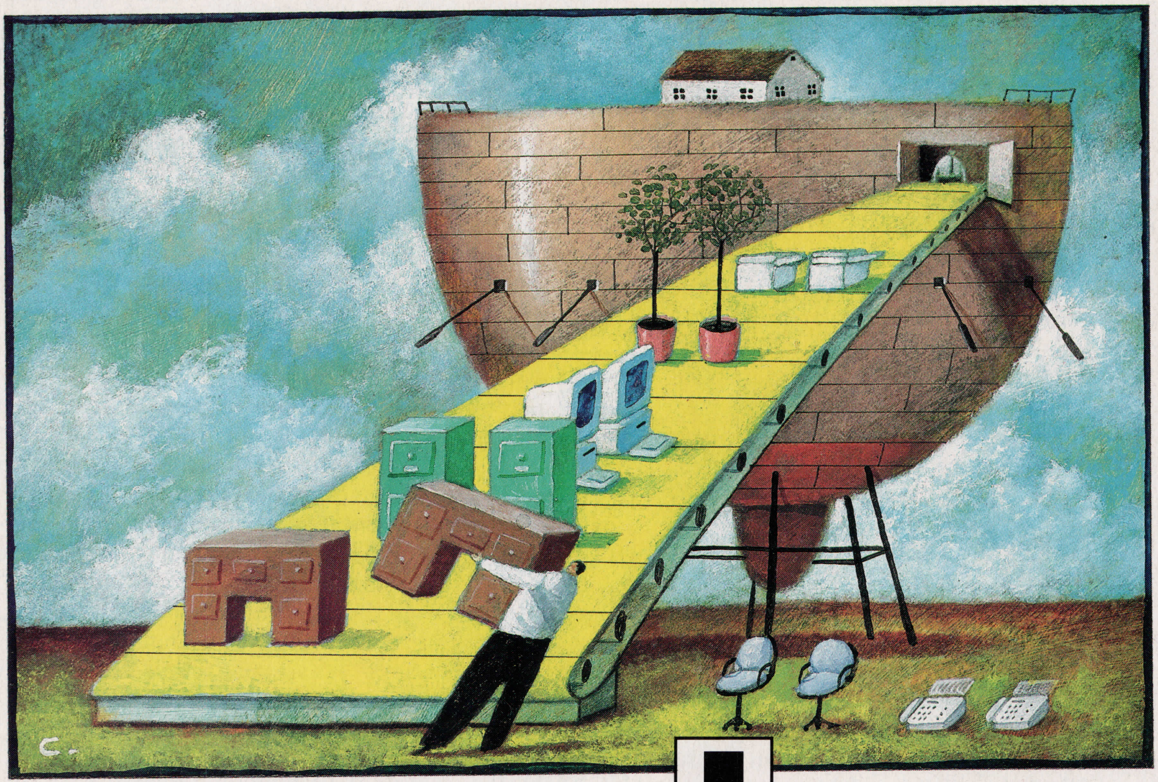
Preparing for disaster recovery

No business stands immune: Disastrous events can cripple a company at any time. But with careful planning, a return to normal operations can come quickly



Dave Cutler

By Cynthia Scanlon

If your business were to be hit with a disaster—say a flood, hurricane, tornado, or earthquake—would you be prepared?

Imagine winds howling, pounding the windows of your office building or store, and then glass shattering, sending shards everywhere. Imagine water pouring into your business facility, soaking and ruining materials, products, and documents. Imagine the ground beneath your workplace shaking violently, the roof beginning to crack and suddenly caving in, destroying everything in a crushing avalanche.

Despite 1993's unprecedented string of catastrophes, a recent study revealed that many businesses still don't have disaster recovery plans in place. The study, conducted by the University of Texas at Arlington, found that only two-thirds of companies surveyed had recovery plans—and 40 percent of those never had tested them for effectiveness.

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

Dave Pekarek, owner of Aaction Printing in Riverside, California, has his disaster plan prepared, complete with safety features, evacuation plans mandated by the fire department, insurance coverage for equipment, and backup systems for computer information, which is stored off-site.

"A lot of businesses don't act until after the fact," Pekarek says, "but I'm overly prepared, because I like to prevent disasters before they happen and plan ahead. If something happens and we can't operate, then we're out a lot of money."

Pekarek updates his procedure regularly and practices it every three months. Though he's never had to use it in an actual emergency, he's always prepared.

But business owners like Pekarek are a minority. According to Beth Sprinkel, assistant director of the Insurance Research Council, very few business owners believe they are exposed to disaster.

"We did a small-business attitude monitor in which we surveyed businesses with two to fifty employees," Sprinkel says. "We found that they didn't think disaster was going to happen to them." The survey also disclosed that more than 50 percent of businesses have not attempted to obtain contingency insurance. "It's a case of businesses not even trying to get coverage," she says.

Karen Gahagan, director of information services for the Insurance Institute for Property Loss Reduction, says business owners and operators need to think seriously about the possibility of disaster and have their environments assessed very carefully to find special things that need coverage.

"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," Gahagan says.

Diane Laux, marketing communications manager for Comdisco, a disaster planning and recovery company servicing Fortune 1000 companies, notes that many businesses depend on telecommunications and therefore have an extra need to be prepared for emergencies.

"If an earthquake knocks out your telecommunications, what are you going to do about phone lines, '800' numbers, customer service, and your own employees?" Laux asks. "We help companies work through those issues and identify what's most important and in what time frame they have to recover things.

"For example, banks are regulated. They have to be back in operation within a certain amount of hours. Other companies can lose a day before starting up their computer operations. All of these things have to be preplanned and weighed."

California has taken its share of blows recently, including forest fires, mudslides, rioting (in Los Angeles), and earthquakes. Mike Marando, spokesman for the California Trade and Commerce Agency, says businesses continue to operate—sometimes out of sheer determination.

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

Michael J. Knuppe of Castro Valley, California, knows firsthand the destruction wrought by Mother Nature. He is co-owner of AAAAA Rent-A-Space, a self-storage company that operates eleven facilities in the Bay Area. In October 1989, the area was hit by the Loma Prieta earthquake, which injured hundreds of people and damaged buildings and roadways to the tune of $4 billion.

"We were able to set up a command post and offer free space to the community for ninety days," Knuppe says. "We also set up a drop-off point for the Red Cross. The public came to our facilities to donate supplies, blankets, and medicine to the victims."

After the catastrophe, Knuppe developed a full-scale disaster scheme for all of his storage facilities.

"We realized we didn't have all the supplies we needed during Loma Prieta, so I'm even more prepared, because I know where our shortcomings were," Knuppe says. "Now, all of my eighty-five employees can meet at any one of my facilities, and we have supplies to administer to clients or employees and their families. We can even set up ten-by-twenty (-foot) storage garages as temporary housing if things should get that bad. And they might. We don't know what 'the big one' really means here in California."

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California wasn't the only area hit by calamity in recent years. The 1993 flooding in the United States Midwest 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 Urbandale, Iowa. "Businesses that didn't even know they were at risk for flooding found themselves with five feet of water in their buildings.

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

Larson says many flooded businesses 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 had incentive."

In 1992, high winds and water from *Hurricane Andrew* cut a swath through the Bahamas and southern Florida, destroying nearly everything in sight. In the US alone, *Andrew* killed fourteen persons and caused billions of dollars' worth of damage. Sixty Kentucky Fried Chicken (KFC) restaurants were damaged—twenty-seven of them so severely they had to be shut down, according to Gary Gerdemann, director of public affairs for KFC. Within two months, however, those stores were up and running.

"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 units affected by the flooding, the hurricane, and the January 1994 Los Angeles earthquake. But the company has disaster plans for its corporate headquarters as well as its individual restaurants.

"You can imagine some poor manager who's never experienced a disaster wondering where to start," 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 already have been made in a calmer time."

Companies that have disaster procedures in place can concentrate on helping other people rather than running from crisis to crisis in their own businesses. And after an emergency, the community will remember those businesses that assisted people instead of taking advantage of them. During the *Hurricane Andrew* debacle, 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 that business owners and operators need to consider when creating a disaster recovery plan?

To begin, 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.

"It could take two weeks to put your plan together," says Comdisco's Diane Laux. "So put it on your agenda and stay with it until it's done."

If possible, Laux recommends having a disaster recovery coordinator to analyze what could happen, write the plan, and secure needed equipment and supplies. "This person needs to work with the chief financial officer or treasurer or president of the company to identify which parts of the business could be impacted the most," she says.

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. If a major water catastrophe occurs, your computer equipment almost certainly will be destroyed.

"We have customers who continually are backing up what they are doing with us," Laux says. "As the information is going into their backup, it's also going into ours. If they go down, we have everything back to their last keystroke."

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

Develop partnering relationships with fellow business owners now. In the event of a disaster, you should have a plan laid out that will allow you to lease equipment from other area businesses or take the third shift to complete your own work.

"The downside to this is that people from both companies can't be running the same machines at the same time, so that means you'll be working off-hours like Saturday or at night, which is inconvenient to your customers," Laux says. "And nearly all of these agreements are with someone who is close by. If you have a regional event like flooding, earthquake, or a power outage affecting a certain geographical area, then it's probably going to affect those people too. But it is a step in the right direction in planning."

In some cases, you might be forced to leave your premises indefinitely. You must, therefore, ask yourself whether it would be possible to temporarily reestablish your business elsewhere. Laux recommends locating an alternate site.

"You need a place to start again in case you can't get into your place," Laux says. "We provide facilities to companies who subscribe to the service. In the event of a disaster, the operation could be moved to one of our 'hot sites,' which have duplicate computers to match up with the computers the business uses at its homesite."

Remember to include your employees in your procedure. Each should have specific responsibilities, 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 Corporation, 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."

Recent years have been filled with disasters. Even if you don't feel vulnerable, your future could be at risk

Once devised, test your plan. "The plan must be tested for it to be viable," says Andy Marks, a 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 AM and having them report to the office as though they were in a real emergency. This 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 explains. "Then review the tape and fill in the pieces you didn't think about when you were relaxing in your office."

Recent years have been filled with natural disasters. Even if you don't feel vulnerable, your business—and hence your future—could be at risk.

"CEOs and CFOs must understand the risk in both assets and man-hour losses and the ultimate impact on their businesses," Laux says. "This is not only about the cost of not doing business and not ringing sales. This is also about lost sales, because you're not up to speed and you're not getting the calls."

So don't be caught unprepared. Conduct a survey of your business, decide how to protect yourself and your property, put your plan into writing—and practice it. K