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BUSINESS CONTINUITY PLANNING FOR INDEPENDENT ENTERPRISES

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In speaking with many of our corporate clients, it seems few have a structured Business Continuity Plan (BCP). We've read studies that 60-80% of businesses don't have anything in place, or it's "in the owners head". With weather patterns changing and medical issues like SARS becoming more prevalent, it is more important than ever for businesses to have a plan in place to minimize the impact of an event causing downtime.

WHERE TO START?

So why don't business's have a BCP in place? Here are some reasons:

- 1) They fall into the trap of thinking that their insurance will solve their problems if something happens.
- 2) Starting a BCP is like looking up at a Mountain. It's a detailed process and the path to the end is not clear. How many Kolbe Quick Start entrepreneurs are going to get energy from that process?
- 3) We do back-ups – all we have to do is restore. That's easy!

INSURANCE AND YOUR BCP

So why doesn't your insurance solve your BCP problem? Let's assume all your assets are insured to full replacement value and you've got an adequate amount of business interruption insurance. You are "fully" covered as far as insurance



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goes. Your property is going to be replaced, and your business interruption insurance is going to provide you with the cash flow you need to stay in business. Before we even go farther, these are some big assumptions to make, but to simplify your thinking, let's assume that the "insurance" part of the problem is solved. Let's look at what your insurance covers:

- 1) Replacement of property - your building, stock and equipment
- 2) Your loss of business income and expenses you incur to reduce the loss; ie setting up in a temporary location.

You've got everything you need right?

Maybe in a perfect world but let's look at the reality of what will happen in the event of a loss. This will vary, depending on the type of a business you operate but most of these points will be at least partially true for any business. Ask yourself these questions:

1) Your Customers

Who is going to serve your clients while you are out of operation?

Are there other competitors who provide an easy option?

Is there a risk of your clients not coming back, or never buying at the same level in the future?

How long will they wait for you to get business back up and running?



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How will you communicate with them to illustrate that the situation is under control and with timelines?

How will the reputation/image/brand of your company suffer, should you not have a plan in place that you can communicate to clients? How will this endear confidence in your client base?

While most business interruption coverage has a 12 month indemnity period, what about the impact on your business well into the future? Many businesses never fully recover if they do not have a plan in place to deal with these issues as quickly as possible.

2) **Your Employees**

How long can you keep your employees on the payroll while you are closed?

Good people are always in demand, how long will your employees wait for you to re-open before being hired by your local competitors?

How will the morale and productivity of your workers be impacted while you sort out the mess and uncertainty of “When will we re-open” and “How will our business be impacted?”

This is probably the most under-estimated cost to business. Return on Human Capital (ROHC) is the most important driver of profitability for most businesses. How well do you think your business will operate if your staff are busy in the rumor mill of wondering what the plan is to get the business up and running, despite the assertions that “everything will be fine”.



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3) Your Profits

Fine, you had the right amount of business interruption insurance. Realistically, if you are a leader, or “the entrepreneur” within your organization, how much of your time is going to be spent on replacing lost “stuff”, getting communication out to clients, dealing with lawyers, accountants, insurance adjusters, staff worries? What about finding a temporary location to operate, temporary phone systems, replacing your computer system with identical hardware so that your back-ups will be easy to re-install? What if the claim doesn’t go as smoothly as you think and you disagree with your insurer on values?

This list just scratches the surface.

Even assuming that you are good at all this, what is the **opportunity cost** of spending time on this unproductive activity? What about the time that could have been spent generating revenue and business opportunities, solidifying client relationships, creating new business ideas - all the things that make a business not only survive but thrive.

Entrepreneurs tend to undervalue the most important asset they have; **THEIR TIME.**

We’ve had discussions with many different clients about this, and while each business is unique the common thread is that owner’s time, distraction, potential lost business and other opportunity costs are amongst the largest “soft” costs that businesses will face when it is closed. We’ve had entrepreneurs give us costs that range from \$5-6,000 per day to \$100,000 per month, or more.



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FINE – I NEED A BCP!

Now you are convinced. You know that you need a way to create a systematic process to deal with the issues that will arise, if normal operation of your business is interrupted.

If you are like most entrepreneurs, you are still looking up at the mountain, with no clear path to the top. Let's face a reality; dealing with this is like going to the dentist. We don't want to do it, but we know we should do it for the good of our business, our clients and our employees.

On the flip side, if we do experience a major incident that results in an interruption, having a BCP in place is like getting your mouth frozen before the dentist goes to work. It can still be unpleasant but not nearly as bad as going without, and in the end, you should end up in a better place than if you didn't go at all.

Similarly, we can't predict everything that would happen to our business, and if it does happen, it is going to be difficult, but a BCP can help put a systematic process in place to deal with issues, reduce the costs associated with getting your business back in order, and help provide you, your clients and your staff with more certainty.

No matter how much of a BCP you have "in your head"; if it's not all written down in a safe place, it doesn't exist!



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STEPS TO TAKE

You need to create a BCP – where do you start?

The process does not have to overly complicated and we recommend that you break it into manageable steps over a period of time.

- Gather Data – employees, suppliers, key contacts – for example.
- Identify Critical Business Functions – this is great jargon for “ look at all the things you do, and figure how you are going to get back to doing them as quickly as possible”
- Identify Possible Recovery Locations – where can you go if your main site is inaccessible for any reason and what do you need to have to operate a temporary office.
- Review and Update.

If you need more information on creating a Business Continuity Plan we have a number of tools to help you identify the potential costs to your business and can help you create a plan that works for you. Just speak to your consultant at (709)753-3210 or (709)634-1555 (Corner Brook clients).