

“Though no one can go back and make a brand new start, anyone can start from now and make a brand new ending.” ~ Anonymous

“TERRORIST ATTACK IMMINENT!”

SHOUTS THE NEWS HAWKERS

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(PARED!)**

**Have you completed your strategy?
Is your Contingency Plan up-to-date?
Has it been tested?**

Take a lesson from businesses that suffered in New York City after 9/11. Do not be an Al-Qaeda casualty! Be sure to discuss your coverages with your insurance professional and consider completing a business interruption appraisal. This is our area of expertise. Let us help you be prepared. **For information, email us at: info@bisimplified.com.**

STRATEGIC PLANNING:

Strategic Planning is a general outline of the actions the company will take should a disaster occur. It is the foundation of a contingency plan. Without it, a business will only recreate what already exists, so its importance cannot be underestimated. There are several important areas to consider.

First of all, base the **length of recovery time** on the worst possible loss that could occur and consider seasonality, as well as new and renewal business. For example, if a Christmas ornament manufacturer has a disaster in July that takes a year to recover, not only may they lose the current season, but the next one as well. That is two years of sales – enough to bankrupt most companies.

Determine how long the marketplace will allow you to be shut down before you start losing business. This is your **Return Time Objective** and it dictates all the other components of your plan. For example, if you are the only business selling your product or service, customers will wait “forever” and you will have time to recover. On the other hand, if there are a large number of suppliers for your product or service, you may only have three or four weeks to get back into the market, so it is critical to make an accurate assessment.

Ascertain how much data you can afford to lose. This is your **Return Point Objective** and will determine your back-up policies. For example, if you can lose one week’s data, why back-up every night? On the other hand, if you cannot afford to lose one day’s data, why back-up only once a week? Also, do not store back-up data in the same building where you operate. Store it at least twenty-five miles away.

Review your storage facilities. Do you have a separate warehouse? After the disaster, how much undamaged inventory will you have on hand or in the marketplace? Could you “stuff” the pipeline and then redistribute inventory after the disaster? For example, if you have one month’s inventory on hand, you might have one month to recover before you start losing sales. This means you do not have to finance/insure one month of lost sales. Also, if there is extra inventory available in the marketplace, you might be able to redistribute it to take care of key customers.

Think of the contingency plan as an opportunity document that allows the business to scrutinize all phases of its operations and based upon a cost/benefit analysis, use the recovery process as the time to eliminate low margin products, flatten the organization, and increase productivity. In order to be competitive into the next decade, what changes should be made to the organization?

HERE ARE SOME QUESTIONS TO CONSIDER...

OPERATIONS:

- Do you continue what you are presently doing or will you change the company focus? For example, go from manufacturing to wholesaling, store to internet sales, or subcontract the operations, etc.
- Would the organization benefit from totally new or revamped products, services, delivery systems, or organizational changes?
- What do you want your organization to look like?
- Are you ISO certified? What are its requirements?
- What should your staff configuration look like?
- Do you want to change departmental reporting and/or responsibilities? For example, combine departments.
- Do you franchise your locations?
- Should you flatten out and remove all of your middle management?
- Do you outsource your R&D, bookkeeping, mail, shipping, etc?
- Should you make everyone responsible for income generation?
- Do you implement a production/sales incentive program?

SUPPLY CHAIN:

- What changes will make it more cost effective?
 - Are you "just in time" and what happens if your suppliers are late? For example, do you change, add, or consolidate your suppliers?
- BE CAREFUL.** If you consolidate suppliers and any one of them represents more than 20% of your sales, you need to protect your exposure to loss if they suffer a catastrophic loss. See BISimplified.com: *Contingent Business Income Worksheet*.
- How do you integrate and employ your suppliers' contingency plan?
 - After a disaster, will your suppliers "quick ship" to you and lengthen your payment terms?

CUSTOMERS:

- Who are your customers?
- What should you change about the relationships?
- Are you meeting your customers' needs, and are they meeting yours?
- Should you change payment terms and/or eliminate slow payers? For example, have your customers prepay for services during the recovery period or reduce or eliminate deliverable requirements.
- Do you have a customer and supplier disaster contact procedure?
- Who is notified first?

FACILITIES:

- Will you work in the same physical space?
- What physical changes may you make to increase production and reduce expenses?
- Where are the building plans?
- Have they been updated with improvements, and do they conform to regulatory requirements such as the Americans with Disabilities Act?
- Consider preparing architectural designs for your new facilities. That way you will not waste time after the disaster trying to figure out what you want. For example, consider replacing the current one story building with three stories. Would it be beneficial to change the loading dock configuration, reposition the sales department near the receptionist, or put R&D next to the production area? Be careful to pay attention to building occupancy use and parking lot requirements, not to mention any EPA issues. Are there any municipal easements or paper roads that would interfere? Might you make use of your suppliers' or customers' facilities, thereby reducing your own building needs?

BEWARE! The insurance policy will only pay the value to replace your current facilities depending upon your coverage, but you can add your own money and build anything you want. **PLAN FOR THE FUTURE!**

For assistance writing or reviewing your contingency plan, contact Business Interruption Consultants: info@bisimplified.com. We would welcome the opportunity to help you Be Prepared and Be Protected™.

Coming In April: STRATEGIC PLANNING QUESTIONNAIRE