



ACCINCTUS

Business Preparedness & Continuity Consulting Services

Business Continuity Awareness Week, March 17-21, 2014

Day 2: What is the Cost of Disaster on an Unprepared Business?

In the previous article I briefly wrote about some of the reasons why you should implement a Business Continuity (BC) program or at least basic preparedness processes in your company. I also mentioned a few of the reasons businesses use to not put any effort to prepare their business. Cost and time are two of the most prevalent but my “favorite” is that some people think because nothing bad has ever happened it never will. That’s like saying I don’t need smoke detectors in my home because I’ve never had a fire.

It is understandable to assess the cost of implementation (time & money), but I’d like to discuss the cost of NOT preparing your company. For this scenario let’s assume you are similar to half the businesses in the US (or $\frac{3}{4}$ of small and medium businesses) who have no continuity or preparedness processes in place. What can you expect if a disaster hits? Think of a prevalent natural disaster in your area (hurricane, earthquake, tornado, etc.) – that threat is our scenario disaster and has turned your place of business into a pile of rubble, smashed computers, and bits and pieces of who knows what. What impacts are you now going to have to deal with? I’m going to address just three aspects, but understand there are many more problems you will face.

Employee injuries (or fatalities): Disasters don’t follow a schedule and can hit unexpectedly in the middle of the workday, at shift change, or whenever. For our scenario let’s assume you now have injured and distraught employees you need to help. During the immediate response to a disaster you may have to deal with employee or customer injuries (and remember that injuries can happen from much smaller incidents just as easily). If you have no response procedures in place you’ll have no idea what to do and will stand there hoping for public responders to come to your rescue. Of course when an incident impacts an entire area, you’re not the only one needing help and it may be awhile till that help arrives. A response plan and the appropriate training could help guide you – but that’s right, you didn’t think it could happen so you didn’t develop a plan.

Lost Revenue: This one is pretty simple to quantify. How much revenue do you bring in each day? Now multiply that by 180 days for this scenario; can you afford to lose that much revenue and your business survive? What if you could put in place a plan that could reduce that closure from 180 days to just 21? Six months reduced to just 3 weeks; are those numbers easier to deal with? That’s the point of continuity planning – identify the critical processes and plan to recover those processes faster. Sure you could wait





ACCINCTUS

Business Preparedness & Continuity Consulting Services

until you lose all capability to start planning, but wouldn't you rather take some time when you're not under a lot of stress to properly plan your recovery strategies instead of trying to do it all after you've lost everything? Apparently a majority of businesses would prefer to wait and try to cram it all into a few days during a high stress situation. Ironic that a little investment up front to implement a continuity program seems like a lot, until you compare it to the lost revenue that a disaster will bring.

Lost Reputation: The third area is the cost to your reputation. When a disruption happens people will know you were not prepared, it will be obvious. Your employees already know if you aren't prepared (according to one report, 75% of employees in the US think their employers are not prepared for any kind of disaster). When something does happen, your credibility with employees will take a dive. If you normally find yourself competing for high skill / high demand employees, think how hard it will become when your reputation is tarnished. Even more so will be the impression your lack of planning leaves with your business partners, your stakeholders, and your customers. Do you really want people to think you are unprepared and unreliable? You may be thinking "That's not fair that customer loyalty is affected by an event I don't control!" I can understand your perspective and although it may not seem fair, it will happen if your customers expect reliability and you can't deliver. You don't control the disaster – but you do control your preparedness and response. I'm sure you've heard the phrase "one oh-\$h!* wipes out a hundred atta-boys." One disaster (even something small that was an inconvenience) that highlights your inability to be a reliable supplier will drive your customers to your competitors. That little bit of time you could have spent implementing continuity processes certainly would have been better than spending years rebuilding customer trust.

So by NOT investing in your company's preparedness, you risk significant cost to your workforce, your revenue, and your reputation. The bottom line is that your bottom line is in jeopardy. Let me conclude today's article with the good news – you can do something to reduce these risks. You can implement a continuity program that fits your culture and requirements. You can prepare your company for those threats that could impact your business. By taking action you not only decrease these costs, but will see significant benefits.

As always – Be Aware, Be Prepared, Be Safe. – *Brian*