

SMALL
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Fresh Ideas For Growing Companies
Crisis management

Contingency planning can save a business

By Eric Decker, of *SBT*

Dan Burkwald, president and owner of Burkwald & Associates, a Pewaukee-based benefits consulting firm, nearly died due to complications from a long-term illness in late 2004. However, his company was able to continue to do business, even though its leader was out of work for more than two months. Burkwald, who had been battling ulcerative colitis for several years, took a turn for a worse last fall. He was admitted to St. Francis Hospital on Nov. 16, then was quickly transferred to Froedtert Memorial Lutheran Hospital later that night. "The doctors told me that night that if I didn't have my colon removed, it would kill me," Burkwald said. "My wife said she didn't want to be a widow."

Burkwald's colon was removed on Thanksgiving Day, and he remained hospitalized until Dec. 19. Although he made it through the surgery, Burkwald wasn't able to regain enough strength to return to work until the end of January. Burkwald & Associates has eight other employees. Burkwald said most of them are in place to support the sales he brings in. Because of its contingency plan, put in place seven years ago, Burkwald said the company was able to not only continue serving its existing clients, it was also able to sell some new policies even while its lead salesman was out of commission. He said the decision to create the contingency plan was made to allow the company to survive if something happened to its facilities or him.

"I made sure that I had a strong office manager, strong people in client management and strong people in customer support," Burkwald said. "Our clients know what to expect, that everything's planned. And we didn't miss a beat." Although Burkwald was able to make some limited decisions concerning his company in the later stages of his recovery, he said a group of trusted business associates played an important role in keeping the firm on track. Michael Richardson, president and owner of Richardson Financial, who is also Burkwald's brother-in-law, along with David Mesick, a partner with Fort Dearborn Partners, a business consulting firm, regularly checked in on Burkwald & Associates. Richardson is Burkwald's financial advisor, and Mesick's office has been a long-term client.

The plans and protocols were in place for years. "What I found out was that I was not indispensable," he said. "Our growth was stalled, but we still brought in a couple of clients in my absence. I couldn't be more proud of the people I work with." Although making detailed plans to deal with an emergency, whether it is a fire, sudden illness, technology crash or natural disaster, can take time, energy and resources, Burkwald said it pays off when the unexpected happens. "Seven or eight years ago, we wouldn't have survived this," Burkwald said. "It took effort and it took time and a change in the way you look at running your business." Business consultants say effective contingency planning can enable companies to survive major interruptions. Although contingency plans need to be tailored for every firm, depending on its industry, location and several other factors, effective survival strategies have several common elements.

Planning

Beginning the contingency planning process is the first step, and one that some most companies never get around to doing. Jeff Clark, an attorney with the Milwaukee law offices of Reinhart, Boerner, Van Deuren S.C., who handles emergency management and contingency planning for many of the firm's clients, said planning is the most important step a company can take toward weathering a storm.

"The key is to plan," Clark said. "There's a thought or mentality that it won't happen here. We don't have

earthquakes or wild fires or hurricanes. But we do have tornadoes, fires and power outages." A company should begin by assessing where it is vulnerable and prioritizing which events it should be most prepared for. "It's not rocket science," he said.

Stephen Kay, who as process and crises manager for G.E. Healthcare in Waukesha is responsible for contingency and business continuity planning around the globe, says the corporation must be prepared for accidents, political unrest, natural disasters and any other event that could disrupt its operations. "Every business should evaluate its easily identifiable risks, hazards and vulnerabilities and do its best to mitigate its identified weaknesses," Kay said. "Good crises management should focus first on prevention and second on effective response. The downside can be quite significant."

Evan Zeppos, president of Zeppos & Associates, a Milwaukee public relations and government affairs firm, said establishing a team to plan for and handle a company's continuation plan is crucial, because one person, even a key executive, cannot handle it alone.

"If you're not going to put together a team approach, you will get, at best, a C-minus grade in your crisis," Zeppos said. Zeppos said a company should have five to seven people on its crisis team, including legal, financial, communications and operational experts - "a core group of people who can make decisions."

Access

What if a fire, flood or some other type of disruption prevents a company from access to its office or plant? The easiest way is for a company to survive is have multiple offices in different locations - something that Reinhart does. For smaller companies that do not have multiple offices, Clark recommends they develop plans for alternative sites if something happens to their primary location. In alternate sites, companies can choose from three different types of locations, depending on their needs and costs. They range from hot sites to warm to cold.

"A hot site is an off-site location that you own yourself that is ready to go when you need it," Clark said. "It can be ready in two to three hours. Warm sites may take a day or two to set up, and cold sites can take longer. But at least you have the facility." Aside from ensuring that alternative physical locations are available, companies also should take steps so that their records, contacts and other data are available if they do not have access to their normal office spaces, Kay said.

"We have disaster recovery plans, business continuity plans and redundancy capabilities built into our processes to protect our servers and data," Kay said. "We use access controls - both physical and virtual. Should there be physical restrictions to our building, many could still connect to our network and get information remotely."

A key component of that network is having multiple servers in multiple locations, with data backed up in several places, Kay said. "We use good information management processes to provide both physical and electronic backup, and that may include off-site facilities as well," Kay said. "I would recommend to small firms that they should back up their data on a frequent basis and be prepared to store it in a secure environment off-site. That way, if there should be any restrictions or damage to their facilities, that information can be obtained and reconstructed in a prompt manner."

Communications

A business contingency plan should include strategies for communicating with multiple parties, including employees, the media, law enforcement, government agencies, neighbors, suppliers, vendors and creditors. Zeppos said the messages a company sends out during a crises can make the difference between survival or extinction. "If you look at a company that goes into a bad set of circumstances, if they do not take care of the communications side, they will probably have as many problems as they would on the (operations) side," Zeppos said. "Proactive communications in a crisis situation is a major instance in your credibility in the key constituencies you deal with. People understand that Mother Nature has a nature of setting you back on your heels. It's how companies are able to deal with it that defines how they are able to operate in the future. What you're doing is protecting the integrity of the company."

Zeppos' company helps develop written plans that spell out how to handle communications in different situations. "You want your best and brightest to rise to the top (in a crisis)," Zeppos said. "The reputation of your company is on the line, the integrity of your brand is on the line. You will be under media scrutiny. Your employees, vendors and creditors will be watching your every move. You have to react fast. If you don't tell your story, someone else will. The media will get their story - it's their job."

Insurance

Companies can tap into several different forms of insurance to deal with unexpected events that could interfere with their operations. Key person life insurance and key person disability insurance can give companies an influx of cash if a key performer, whether the owner, president or an important employee, unexpectedly dies or is disabled. David Fritz, a financial representative in Northwestern Mutual Financial Network's executive benefits branch, said life and disability insurance policies can bring cash to companies when their operations, sales or profits could be disrupted because of an injury to or death of a key person.

Dennis Fitzpatrick, an attorney with Northwestern Mutual who specializes in advance planning in its home office in Milwaukee, said many businesses do not think of covering their key people in the same way they would think about covering their key assets, such as equipment or property. "If (their building) burns down or someone drops dead, the net result is the same," Fitzpatrick said. Fritz said key people insurance policies vary widely in prices, based upon health conditions, risks and other considerations.

Companies also can purchase business interruption policies, which can give them an influx of cash when they have unexpected events or disasters, said Jorge Gomez, Wisconsin's commissioner of insurance. Gomez said the pricing of business interruption insurance policies is, much like key person life insurance, subject to much deliberation between the policy holder and insurer. Gomez said small businesses that rely on computers for data processing or particular software may want to examine what their vendors are contractually obligated to supply in the event of a business interruption.

He said many contracts do not have provisions for interruptions, which could leave some small businesses without a backup plan in the event of a disaster, such as a fire or flooding.

"That is one of the new areas being looked at by underwriters," Gomez said. "People have to figure out ways to mitigate their losses in the new economy."

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