

AmTrust Property Zone

Prioritizing Business Continuity and Recovery Efforts

Could your business survive the disruption caused by fire, natural disaster or other emergency? Approximately 25% of businesses don't reopen after a major disaster. For small business, the survival rate is even worse, with 40% to 60% never reopening.

These statistics may sound dire, but the situation is not hopeless. Businesses can take proactive steps to determine their risks and put business continuity and recovery plans in place to mitigate those risks.

In many disaster scenarios, you may not know what to do first or how to begin your recovery efforts. This guide will help you identify key priorities now, so you have a business continuity and recovery road map to follow, if and when you need it.

Step 1: Assess Potential Impacts

Disasters can have both immediate and far-reaching impacts on a business. It is crucial for business owners to understand the potential effects listed below as they create a business continuity processes.

- Buildings may be damaged and unsafe for occupation
- Equipment may be damaged and in need of repairs or replacement
- Supplies and goods may be spoiled
- Business operations may be disrupted
- Clients and customers may turn to competitors during disruptions if their needs are not met
- Sales may be lost or delayed
- Reputations may be damaged
- Regulatory fines may be incurred
- The associated costs and losses can threaten the financial stability of the business

Step 2: Identify Worst-Case Scenarios

Conducting an analysis is the first step toward taking proactive measures to minimize risk. Do you know the natural and human-made disasters in your area? Are you prepared for these worst-case scenarios, including:

- Natural disasters, such as hurricanes, tornadoes, blizzards, fires, earthquakes and severe storms
- Technological disasters, such as cyberattacks, power outages and equipment failure
- Other disasters, such as chemical spills, civil unrest and pandemics

Step 3: Determine how these various scenarios could impact your business.

Ask yourself the following questions to understand if these disasters listed in Step 2 could impact your business.

- How would business operations be impacted?
- How will different departments and functions within your company be affected?
- What goods could be damaged or spoiled?
- Is there key equipment or machinery that is critical to operations and/or difficult to replace?
- Is there any danger of potentially hazardous materials becoming unstable?
- What would the associated costs be, such as repairing or replacing damaged items?
- What would the associated losses be, such as lost revenue?
- How can risks be mitigated?



Step 4: Rank your highest recovery priorities.

Next, determine your recovery priorities by asking yourself the following questions:

- Which parts of your operation could suffer the greatest financial, reputational, operational, contractual or regulatory impacts?
- Which essential business operations need to be prioritized in the recovery process?
- What are the time constraints for various business functions? For example, is a delay of one day acceptable? What about one week? How will clients, shareholders, safety concerns and legal obligations be impacted by delays?

Step 5: Develop a Business Continuity Plan

Once you've completed the steps above, you can work on developing a business continuity plan. Your detailed plan should answer these questions:

- Who will carry out critical, essential business operations after a disaster?
- Which tasks are time sensitive?
- What will be needed to carry out these essential business operations? This should include physical location, information, equipment, supplies and anything else that is needed.

Step 6: Make sure that your plan is ready to go with training, testing and updating.

Training is essential to make your business continuity plan work. As you train, test and update the components that are not working as you think they should.

- **Training:** Everyone involved in the business continuity plan should receive training on it.
- **Testing:** Practice scenarios and tests should be conducted so that weaknesses in the plan can be identified and corrected.
- **Updating:** The plan should be updated as needed. Review the plan regularly and after major changes in personnel or business operations.

Step 7: Create a Recovery Road Map

Even with a good business continuity plan in place, a disaster could cause some disruption. Have a recovery plan in place to help your business get back on track.

- **What third-party services will be needed after a disaster?** This could include contacting contractors to inspect and repair physical property after a natural disaster, for example, or partnering with cybersecurity professionals to conduct a forensics analysis after a cyberattack and restore data.
- **What would the long-term consequences be?** Ask yourself if business disruption would cause reputational damage and loss of clients or market share?
- **How will the company deal with the anticipated costs and losses?** Consider what insurance coverage is available and what disaster consequences might not be covered by insurance.

Sources

<https://www.sba.gov/business-guide/manage-your-business/prepare-emergencies>

https://www.fema.gov/media-library-data/1441212988001-1aa7fa978c5f999ed088dcaa815cb8cd/3a_BusinessInfographic-1.pdf

<https://www.ready.gov/business-continuity-plan>

<https://www.ready.gov/business-impact-analysis>

For additional information and resources on this topic and other safety and risk management subjects be sure to visit the Loss Control section on our website:

www.amtrustfinancial.com/loss-control



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