

WE KNOW

BUSINESS STRATEGY

BUSINESS RECOVERY

QUICK GUIDE

BUSINESS RECOVERY AFTER A DISASTER

Getting back to business

Following a disaster, it is anything but 'business as usual' for you, your employees and customers, but the faster you can return your business to some level of normal operations, the quicker you can restore your income, jobs and the goods and services you supply to your customers.

The time it takes for a business to return to something like normal operating levels depends on a number of key issues:

- Overall damage assessment – whether you can trade from your existing premises, and what stock, supplies, equipment and other key assets that are recoverable or not recoverable.
- Your insurance coverage and how quickly your claim can be processed.
- Any government assistance you can access.
- Communication with employees, customers and suppliers.
- An assessment of the business' financial position.
- Developing a plan to reopen your business.

Evaluating your financial position

Businesses affected by a disaster should take the time to evaluate their financial position before making decisions on whether to reopen their business and, if so, how they should operate in the new environment. Important considerations to bear in mind in evaluating the financial position of your business include:

- The business may have substantial outgoings before you can restart trading, therefore you need to know how you are going to pay for such outgoings and if the expenditure is even possible.
- there may be a significant period before the business can restart trading, therefore you may have to rely on existing sources of cash and other assistance until that time.
- determining your financial position can assist you to make claims for insurance such as business interruption insurance, which will also help you decide which direction you want to take your business.

To evaluate the financial position, the first step is to attempt to reconstruct your financial records. The initial focus of reconstructing accounts is to determine the cash position of the business, including cash at bank, plus any cash inflows (from existing debtors that are recoverable, insurance payouts, government assistance and other sources), less any cash out flows (such as payments to suppliers, staff, loan repayments and other payments).

Recovery planning

Once you have established your financial position, you will have more information around how and when to reopen. The next step in re-opening your business is to develop a recovery plan.

A recovery plan should state what the business needs to re-open, such as processes and resources critical to re-opening, and your recovery objectives detailing the actions needed to achieve the objectives and who is responsible for those actions.

Such a plan, together with cashflow forecasts and profit and loss forecasts, will help you determine whether it is viable to re-open and how the business is going to finance the re-opening.

In developing such a plan, it may be very difficult to make assumptions in a post-disaster environment – past experiences may no longer be relevant and the market may have changed significantly, at least in the short

term. Therefore, it is important to reanalyse your market taking the new conditions into consideration.

If financing the planned re-opening looks too difficult or unachievable, the plan may have to be modified or you may need to consider exiting the business.

Steps to getting back to business

Checklist for re-opening your business after a disaster

Different businesses will be affected by a disaster in different ways. This checklist is aimed to assist businesses that have been directly affected by a disaster. It will lead you through some of the many issues you will need to consider before and after re-opening your business.

Mark with a 'Yes' or 'No' when you have considered a question or tick where you have acted upon a question.

Preliminary Assessment	
<i>Should you re-open your business?</i>	
Were you happy running the business before the disaster?	
Were you making the profit you wanted?	
Do you prefer being your own boss?	
Have you considered other opportunities?	
Are you prepared for the potential extra demands that recovering your business will place on you, both personally and financially?	
<i>Have you done an assessment of the damage?</i>	
Are your premises operational?	
Can you recommence trading from your premises without significant repairs?	
Is any of your stock, supplies and equipment recoverable?	
Have any of your staff been affected by the disaster?	
<i>What are your chances for future success?</i>	
Have you analysed the potential demand for your product or services post disaster?	
Have any of your key customers and/or suppliers been affected by the disaster, and if so, how will this impact your business?	
Has the disaster led to other businesses in your area closing and if so, have you determined how this may impact your business?	
Preliminary actions	
<i>Have you contacted your insurer?</i>	
Have you give your insurer your preliminary damage assessment?	
Has your insurer been able to tell you what your insurance payout is likely to be, when it will be made and whether it will be in the form of cash or asset replacement or a mix of both?	
<i>Have you contacted your staff and other key stakeholders?</i>	
Are you keeping staff and stakeholders, including key customers, suppliers and lenders informed of what you are doing?	
Do you need to disengage staff for the time being? Seek advice from The Chamber before you do.	
Do you need to postpone purchasing supplies for the time being?	
Can you cancel orders that you have made?	
If customers have ordered stock and it is lost or you cannot supply at this time, have you informed those customers?	
Financial position of the business	
<i>What is the current financial position of your business?</i>	
Have you reconstructed the financial records of your business?	

If you cannot fully reconstruct your accounts, do you have access to historical financial statements or industry benchmarks?	
Have you determined how much cash your business has currently available by creating a cash flow statement?	
Have you created a balance sheet and a profit and loss statement from the beginning of the current financial year to the time of the disaster?	
Have you used the information in the cash flow statement, profit and loss statement and balance sheet to analyse the financial health of your business at the current point in time?	
Recovery plan	
<i>Questions to consider in creating a recovery plan include:</i>	
Have you considered and noted your recovery objectives, actions and priorities?	
Have you established a recovery team with clear responsibilities from the recovery plan?	
Can you support such team members working off-site?	
Are you aware of all the requirements to re-open the doors for business?	
Do you need to arrange for the short-term lease of essential equipment until they can be replaced?	
Do you have adequate resources (staff, finances, etc) to bring the business up to normal operating levels or to a level you want or to the level that reflects the current market conditions?	
Have you costed your recovery plan?	
Can you afford this plan?	
Do you have a marketing strategy to promote that you are open for business?	
Have you incorporated your lessons from running your business prior to the disaster (good and bad) in your recovery plan?	
Have you incorporated your analysis of the market conditions post the disaster in your recovery plan?	
Does the recovery plan reflect your financial goals (for example the profit, net profit margin or return on investment you want to achieve)?	
<i>Have you considered the following as part of your recovery plan?</i>	
Addition of new product lines or removal of existing product lines?	
Addition of new services or a reduction of services?	
Reducing operating costs?	
Adoption of new technologies and processes?	
Relocation?	

For assistance with any aspect of your recovery plan contact The Chamber on 03 366 5096.