

# Regional Business Preparedness Campaign

Troy Neville, ABCP  
Campaign Coordinator

## Real world benefit of business continuity

By Robert J. Yarsky

It's one of those things that can happen to anyone, at any time. A water line break. In this case, it happened in a 31-story office tower, over a holiday weekend. It went undiscovered until an estimated 5,000 gallons of water made its way down 10 floors and ultimately caused almost \$1 million in damages.

It didn't make the papers. There were no injuries. And despite the damage, the company involved continued to service its customers without interruption.

That company is Highmark Inc., one of the leading health insurers in the country, and on July 7, 2008, that's just what happened to us.

Two months before, I had just been promoted to director of business continuity planning. At about 6:30 that morning, I received a call from a member of my staff advising me of the



problem. I immediately began notifying our crisis management team members and made my way into work.

When I arrived, I went directly to the 15th floor where most of the damage was sustained. Water was pouring from ceiling tiles and light fixtures and all over the workstations. It was same situation on each floor, curtailing just a little, until it stopped 10 floors later.

It took us four months to return to our pre-loss state. Afterward, I met with our crisis management team, and what

follows is a short summary of the most important lessons learned.

- 1) Think Safety – First and foremost, establish a safe environment as soon as possible. Water and electricity don't mix. Our building engineers were able to stop the water flow, but it continued to run throughout that first day, seeping into electrical equipment, under-floor wiring, etc. (Continued Page 2)

This is the fifth and final newsletter in the 2011 Regional Business Preparedness Campaign. The previous newsletters can be downloaded from: [www.millersville.edu/cdre/business-continuity/index.php](http://www.millersville.edu/cdre/business-continuity/index.php)

### Inside this issue:

Real world benefit of business continuity	1
Business Preparedness Survey	1
Real world impacts of a disaster	3
About the Campaign	4
About the Business, Industry and Infrastructure Subcommittee of the South Central PA Task Force	4
About Millersville University's Center for Disaster Research and Education	4

## Please take our business preparedness survey

Millersville University's Center for Disaster Research and Education is conducting research to assess the current level of business preparedness in the South Central PA region.

We would appreciate your taking 10 minutes to complete our online survey. The survey is anonymous and secure. The aggregate results of the survey will be published at a later date.

The survey can be reached at: [www.millersville.edu/cdre/business-continuity/index.php](http://www.millersville.edu/cdre/business-continuity/index.php).

## Real world benefits of business continuity (continued)

Before we could do anything, we had to cut power to the areas that were damaged. We could then send our personnel in to remove equipment and begin the drying out and cleanup work. Our employees were also concerned throughout the process about mold, dust, and noise. Water-damaged carpet was removed and replaced, as was the fabric on the cubicles and chairs. Air monitoring tests were scheduled. Repair work was done off hours as much as possible.

- 2) Know your company/organization – What functions are the most important and need to be recovered first and which ones can wait? The water-damaged sections of 10 floors in the building we occupy, each house different operations. Fortunately, we had a business continuity planning process already in place when I took over. That process includes conducting a periodic business impact analysis that identifies what operations are most critical to the company. As a result, we knew immediately which floors housed the most critical functions and needed to be recovered first and which ones could wait.
- 3) Have the right personnel on your crisis management team and practice, practice, practice – Your crisis management team should have at least one strong leader and knowledgeable subject matter experts on the organization. Our team includes experts on operations, IT infrastructure, human resources, facilities, legal, risk management, safety and security, procurement and corporate communications. It should also conduct periodic table top exercises to see how the team responds to various scenarios. That expertise and practice proved invaluable during this event.
- 4) Communicate and then communicate some more – Tell your stakeholders what you know, what you don't know, what your plan is for finding out and when you will communicate with them next. Use all communication tools available to you and have "boots on the ground." Don't

underestimate how important it is to personally check on the status of the response and the recovery efforts. During the first hour of event, we held a meeting in the cafeteria with all the employees immediately affected by the water damage. Our Corporate Communications area posted updates on our intranet site advising employees in other locations and those not immediately impacted what was happening. We used all communications tools available to us, phone, e-mail, walkie-talkie, public address system. We also walked each floor daily from the day of the event until we returned everyone who was displaced, to see for ourselves what was happening and how the recovery was progressing. Further, our crisis management team met daily for the first few weeks and then less frequently as time went on. During each meeting, we went around the room to get a status update from each subject matter expert. Issues were identified and resources assigned to resolve them. I was also in constant communications with our senior management.

- 5) Plan ahead and try to build resiliency into operations where you can – Can some of your employees work from home? Do some of your employees have laptops and do they take them home nightly? Do you have an alternate location that you can use (either contracted space with a disaster recovery vendor or at another one of your buildings)? Is that location available to support the people you plan to relocate there? During this event, we successfully relocated approximately 200 employees to other locations within our buildings (either on the same floor or different floors). We also had whole departments work from home giving us additional space for those without that capability. We pre-wired a large conference room capable of holding up to 45 employees with complete workstations and phones.

(Continued Page 3)

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*Don't underestimate how long it will take to fully recover— it can take a lot longer than you think.*

## Real world benefits of business continuity (continued)

Also, our call center staff required special phones and other equipment. We successfully relocated them to non-occupied workstations that were already equipped. We were also ready to utilize several training rooms, which were properly equipped for that function. However, that was not necessary.

- 6) Get your insurer involved immediately – Notify your insurer immediately to avoid a possible coverage issue later. If possible, have the adjuster on site as soon as possible to preliminarily assess the damages. Keep the adjuster routinely apprised of your recovery efforts and the costs you've incurred to date. Keep track of your response and recovery costs separately from your normal operating costs. That will help expedite your claim since you won't have to try to separate them later. Our adjuster was on site that first afternoon and we kept him apprised routinely through the entire process. In a couple of weeks after we had our initial estimates of the damages, the insurer sent us a check as a partial payment for our loss. They paid the balance quickly

after the last employee was returned and the final accounting of the damages was agreed upon.

- 7) Don't underestimate how long it will take to fully recover – It can take a lot longer than you may think to get back to a pre-loss state. In our case, the drying out process took days. Demolition and reconstruction of the damaged areas took weeks. Parts for equipment that was damaged was unavailable requiring a redesign and replacement with a comparable system. Also, you have to plan for the return back once the restoration is completed.
- 8) Have a good restoration company at your disposal – We were fortunate to have a local restoration company that was very experienced and who had worked for us before available immediately. They had the expertise and equipment necessary to handle our water damage claim and they were respected by our insurer.

*Robert L Yarsky is the Director of Business Continuity Planning at Highmark, Inc.*

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*Businesses that are able to reopen after a major disaster can face increased debt, decreased capital, and decreased revenue and customers.*

## Real world impacts of a disaster

By Troy Neville, ABCP

Many businesses believe a disaster will not happen to them, but the impact cannot be under-estimated. Businesses that do reopen after a major disaster can face increased debt, decreased capital, and both decreased revenue and customers—not a winning combination for a strong recovery.

### Nashville Flooding May 2010

A storm system dumped up to nineteen inches of rain in parts of middle Tennessee, causing record flooding in many areas, including downtown Nashville where flood waters crested 12 feet above flood stage, the highest since 1937. The Nashville Chamber of Commerce reported:

- Over 2,700 businesses in Davidson County were impacted with an estimated \$300 million in losses.

- More than 300 businesses remain closed one year after the disaster
- Over 1,500 jobs are unlikely to return
- Revenues are still 2/3 pre-flood levels
- Only 1/3 of losses were covered by insurance

Many businesses did not have flood insurance while others (mistakenly) believed they had sufficient coverage. Some businesses reverted to legal actions against their insurance companies in an attempt to cover losses.

### Alabama Tornadoes April 2011

More than 55 confirmed tornadoes over a three-day period struck Alabama, resulting in 284 deaths and \$4 billion in damages.

(Continued Page 5)

## Regional Business Continuity Conference planned for November 2nd

The South Central PA Task Force will hold a Regional Business Continuity Conference in Harrisburg, PA on November 2, 2011. The one day conference will be FREE for businesses located in the South Central PA region. However, registration is required and seating is limited.

Building a business continuity plan may seem like an impossible challenge for many businesses. However, even a basic plan can have a positive impact on an individual business, the local community, and the region as a whole.

Session topics are:

- Keys to Effective Business Continuity Planning
- Conducting a Business Impact Analysis
- Business Recovery Funding Through Insurance
- Data Backup Best Practices
- Business Continuity Plan Development
- Emergency Response Planning
- Cyber Security for Business
- Business Continuity Plan Testing
- Communicating During a Crisis
- IT Disaster Recovery Plan components

The conference brochure is available at:

[www.millersville.edu/cdre/business-continuity/index.php](http://www.millersville.edu/cdre/business-continuity/index.php)



*A good Business Continuity Plan can reduce the downtime and impact of an incident on business operations.*

## About the Regional Business Preparedness Campaign

Regional Business Preparedness Campaign is a collaboration between Millersville University's Center for Disaster Research and Education and the Business, Industry and Infrastructure Subcommittee of the South Central PA Task Force. They have partnered with the Chambers of Commerce in the region to reach out to their members. The goal of the Campaign is to improve business preparedness in the South Central PA region. Additional articles will be published in September.

## Business Industry and Infrastructure Subcommittee of the South Central PA Task Force

The Business, Industry and Infrastructure Subcommittee of the South Central PA Task Force is made up of members of the business and government community that volunteer to assist the business community in preparing for disasters. Their website is: [www.ready4business.org](http://www.ready4business.org)



## Millersville University's Center for Disaster Research and Education

Millersville University's Center for Disaster Research and Education provides multi-disciplinary education, research and internship opportunities, including a Master of Science in Emergency Management and a Minor in Environmental Hazards and Emergency Management. Their website is: [www.millersville.edu/cdre](http://www.millersville.edu/cdre).



## Campaign Coordinator

Troy Neville, ABCP, is the Coordinator for the Regional Business Preparedness Campaign. He is a Graduate Student in Millersville University's Master of Science in Emergency Management Program; a member of the Business, Industry and Infrastructure Subcommittee; and a Consultant with Design Data Corporation in Lancaster. Troy can be reached at [tneville@ddco.com](mailto:tneville@ddco.com).

## Business Continuity Planning Resources

[DRI International](http://www.drii.org) (www.drii.org)

*Business Continuity Education and Certification*

[Flu.gov](http://pandemicflu.gov/professional/business) (pandemicflu.gov/professional/business)

*Getting Ready for Flu Season*

[Open For Business](http://disastersafety.org) (disastersafety.org)

*Insurance Institute for Business and Home Safety*

[Prepare My Business](http://www.preparemybusiness.org) (www.preparemybusiness.org)

*From the U.S. Small Business Administration and Agility Recovery*

[Ready Business](http://www.ready.gov/business/) (www.ready.gov/business/)

*From the U.S. Small Business Administration and Agility Recovery*

[South Central PA Task Force](http://www.ready4business.org) (www.ready4business.org)

*Business, Industry and Infrastructure Subcommittee*

## Thank You!

Millersville University's Center for Disaster Research and Education, and the Business, Industry and Infrastructure Subcommittee of the South Central PA Task Force would like to thank the following Chambers of Commerce for participating in this Campaign:

- Lancaster Chamber of Commerce and Industry
- Harrisburg Regional Chamber of Commerce
- York County Chamber of Commerce
- Greater Chambersburg Chamber of Commerce
- Lebanon Valley Chamber of Commerce
- Gettysburg-Adams Chamber of Commerce

## Real world impacts of a disaster (continued)

*If you have a business plan to operate your business, shouldn't you have a business plan to keep it running after a disaster?*

- In Tuscaloosa, over 500 businesses were severely damaged or destroyed; many will not reopen for over a year.
- Power was out in most areas for several days; over a week in some areas.
- Internet and cellular services were out in many areas for two weeks.
- Over 6,000 workers filed for unemployment due to the tornadoes.
- Across Alabama 5,000 businesses, from a main street clothing store to a car manufacturing plant, were damaged.
- Businesses that were not damaged suffered losses because other businesses customers were closed.
- Some businesses had insurance that only covered property damage; others had coverage for recovery that allowed owners to continue to pay employees while the business was being rebuilt.
- Loss of tax revenue pushed the city of Birmingham closer to bankruptcy.

### Joplin Missouri May 2011

A devastating EF-5 tornado caused extensive damage along a 10-mile long path through the Joplin area causing over \$2 billion in damage, over 160 deaths. According to the Joplin Area Chamber of Commerce:

- More 500 businesses were heavily damaged or destroyed
- Business closures affected over 5,000 employees
- 1,200 workers filed for unemployment while the vast majority of employers were able to keep workers on the payroll while the business was repaired.
- Many businesses are expected to remain closed for months

The effects of a disaster—a fire, flood, tornado or other crisis—can be long lasting and far reaching. Many businesses simply are unable to recover, in part because they did not have a plan to stay in business. For many owners of businesses that did survive these disasters, business continuity planning has been placed at the top of their to-do list.