

When disaster strikes your small business

Disaster preparation means a contingency plan

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New York — With the Atlantic hurricane season under way, many small business owners in the paths of tropical storms will undoubtedly find themselves coping with serious damage that can shut their companies down.

Even owners who prepared their companies for disasters will find it a challenge to recover. Those who had no plans — particularly companies without insurance — might find that their businesses are in danger of failing.

Disaster preparation means a contingency plan, with provisions for operating even if your company's premises are wrecked. It means adequate insurance to cover physical damage and also lost profits. It means having data and important records backed up and stored in a safe place.

But even if disaster strikes and you have no plan, don't panic, is the advice of Steve Lewis, editor in chief of Edwards' Disaster Recovery Yellow Pages.

"While it's true that the odds are going to be against you and you should have been prepared, if you're systematic, bit by bit, and do the most important and doable things first," you'll have a better chance of saving your company, he said.

After the emergency has passed, you'll understandably want to get to your business to see what damage there is. But that might not be possible — roads can be washed out, for example, or authorities might restrict access to streets where power lines are down.

Carol Chastang, a spokeswoman with the Small Business Administration, suggests business owners take a camera with them when they do go to the property for the first time, and take plenty of pictures to help either insurance adjusters — or a bank officer if they're applying for an SBA disaster loan — assess the damage.

"Get a really solid sense of what's been lost, what's been destroyed," Ms. Chastang said.

Your next step should be calling the people who help you stay in business — employees, customers and vendors — let them know what happened and assure them you're trying to get the company running. Communication and information are critical after a disaster.

Otherwise, "the rumors start to spread and that's what does a lot of businesses in," Ms. Chastang said.

Mr. Lewis said owners who didn't prepare a to-do or who-to-call list should "try to remember what is coming up that's big and important, like a big delivery, a shipment on the way ... or if you have big deadlines due."

Another reason to be in touch with business contacts is they're likely to help — even your competition.

"They know your problems, they can empathize, they often have stuff you can borrow," Mr. Lewis said.

When Hurricane Ivan struck Florida last year, the Escambia county branch of The Attorneys' Title Insurance Fund was devastated. Branch manager David Scarritt and his employees had prepared for water damage, but not for 4 1/2 feet that destroyed most of the office's files and ruined its computers.

"I was shocked — I didn't expect that level of destruction," Mr. Scarritt said. Among the losses were maps and real estate records that the office used in helping attorneys with title searches.

Perhaps the biggest help came from Mr. Scarritt's competition. Another title company offered to lease 2,500 feet of space, and to let Mr. Scarritt and his employees use their records.

"Surprisingly enough, I could account for very little lost revenues," he said. "With our competitor helping us, we were able to take orders and produce revenue."

When a hurricane, tornado or earthquake has devastated a region, the federal government usually will declare a disaster area, which allows small companies to apply for Small Business Administration disaster loans if they don't have insurance or don't have adequate coverage. The SBA's Web site, www.sba.gov, has a section devoted to disaster recovery.

But not every calamity that befalls a company will qualify as an official disaster — there are plenty of floods and storms that can cause substantial damage, yet the government might not issue a disaster declaration. In such cases, SBA disaster loans are not available, and companies with heavy damage and no insurance can be in danger of collapsing.

If you're thinking of applying for an SBA loan, your first phone call should be to the local office of the Federal Emergency Management Administration, or FEMA, Chastang said. FEMA will then likely direct you to the SBA.

The loan process is not unlike trying to get any other loan. You'll need to provide documents and you'll be working with a bank. Your premises will be inspected to determine how much damage you've suffered.

What if you were totally wiped out, with every last shred of paper gone? You can still apply for a loan; the SBA can get copies of your recent income tax returns from the IRS, and your bank will be able to generate new statements for you.

"We're really flexible," Ms. Chastang said, "even if all of your paperwork is in a soggy, muddy mess."

Mr. Lewis advises business owners not to try to get the business up and running and at the same time handle contacts with FEMA, the SBA and banks.

"Hopefully you can delegate," he said. "Try and get somebody to do that for you."

Friends can be the biggest resource a business owner can have.

Denise Dorman, a publicist, and her husband Dave, an artist, both run businesses out of their Shalimar, Fla., home. A tornado spawned by Hurricane Ivan tore the roof off the house, leaving the couple with substantial wind and water damage. They ran their businesses with the only working phone they had; friends in other places handled their e-mail.

Andrea Ridout's decorative hardware showroom was destroyed by a tornado in 1991. She wasn't prepared with a who-to-call list, so she and her employees split up the company's mailing list and began calling customers. She also began calling vendors to let them know payments might be late, and made arrangements for some orders to be shipped directly from manufacturers to the customers.

"In a disaster like this, you find out who your good employees are," said Ms. Ridout, of Garland, Texas. She said even family members of her workers were pitching in to help with the cleanup and recovery.