

# IDEAS

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ASK ALAN | BY ALAN FRIEDMAN

## Planning for Disaster

It always seems there's some life-altering event or trauma-induced revelation that prompts me to write an article spreading the gospel of newfound wisdom.

Accordingly, I found myself having to choose between two critically important topics to discuss for this article: the tonal affects produced by different winding patterns on single-coil pickups, or disaster planning for your music store. Although my heart told me pickups, the *Music Inc.* editorial staff told me disaster planning. What's wrong with these people?

Perhaps they understand, as I do now, the importance of protecting business assets from forces beyond our control, such as floods, hurricanes, earthquakes, robbery, internal fraud and computer piracy, to name a few. Mother Nature will strike, accidents will happen and people will steal, often when you least expect it.

So what earth-shattering event prompted me to write this article? A couple of months ago, we had a torrential downpour, and our office was hit by a bolt of lightning. It fried our telephone system, cremated our



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DSL router, melted our file server and blew out six of the 10 brand-spankin' new computer workstations on our network. Here's the real kicker: the lightning did all this damage with one jolt through our "phone lines," not the power outlets.

Oh, and the fun didn't end there. We faced the eternal joy of a full week of unanswered and unreturned phone calls—billable people sitting around with nothing to do while we waited for our telephone company, communications rep and computer guy to show up, assess the damage, order new equipment, and then, wait some more.

Best of all, we had the always-entertaining pleasure of dealing with our less-than-friendly and less-than-cooperative insurance carrier, even though we were submitting our first claim in 19 years of business. In fact, the only event I can think of that could rival the excitement of this disaster would be my annual prostate checkup from my doctor, who has exceptionally large fingers. Simply put, I don't handle intrusive events very well.

Just as you would take steps to ensure the health and the safety of your home and family, you must also take steps to minimize risks to your business and its ability to continue generating income in the face of an unexpected disaster. Let's discuss a few actions you need to take to minimize the effects of a catastrophic event.

### STEPS FOR SURVIVAL

It seems like natural disasters have been occurring with more frequency and intensity. As we recall the news events from Florida this past year, it's easy to visualize the millions of dollars of damage that can be caused by lightening, floods, earthquakes, fires, mudslides, tornadoes and hurricanes. While you can't prevent these natural disasters from occurring, you can help minimize their impact on your business with preparation.

Ask yourself: Can my business survive financially if all or part of my worksite ceased to exist for one day, a week, a month, a year or even permanently? If a realistic answer is "no," it underscores the importance of disaster recovery and contingency planning. I realize it's hard to get motivated to prepare for something that may never happen. But as horrible an event as a disaster may be, you could have the good fortune to be the only music store back up and running and ready to do business if you've prepared for the unexpected.

The following are three simple steps to help you prepare and survive the 165-mph tsunami

your weatherperson predicted as a “light, tropical rain.”

**1. Get organized.** Establish a task force of a few employees. If you choose not to lead the charge, name a key person with authority to carry out the plan. Support that plan by assuming the worst—your physical store facility and all of its contents has been permanently destroyed. Then, make two lists: one list containing each business asset that must be salvaged to ensure your store’s survival, and the other list containing business assets that could easily be replaced or recreated in order for you to continue operating.

In our business, client data and business records, which are all in electronic form, are most critical to our survival. Our office furniture, computers and reference books can be more easily replaced and are insured for their replacement value.

In your music store, fixtures and shelving, office equipment, delivery vehicles and even your music product inventory can probably be replaced in a matter of days. Accounting records (of sales, rentals, lessons and repair transactions, inventory purchases and business expenditures) and customer data are most critical, as it would take weeks or even months to recreate them with no guarantees.

Don’t forget, it’s the availability and reliability of those accounting records that become your basis to recoup losses from your insurance carrier. It saddens me to say that it’s been my first-hand experience, with both our firm and our clients, that insurance carriers are your best fiends when they’re collecting your premium payments and your worst nightmare when you try to exercise your right to be paid on an insurance claim for the most legitimate of losses.

(For more information on this topic, see the *Think Tank* in the October 2001 issue of *Music Inc.* on the trials and tribulations of business insurance.)

**2. Try to prevent or minimize the loss.** Determine, establish and implement good business policies that will help avoid or minimize a devastating loss before a disaster strikes.

**‘Store bank statements, cancelled checks and other critical accounting and customer information in a safe and secure place, such as a fire-proof vault, at the end of each work day.’**

Some of these business practices and procedures should include:

- Keep duplicate business records and computer data backups at a location other than the worksite, including the equipment necessary to access that data. The location could be a storage facility or even your home.

- Store bank statements, cancelled checks and other critical accounting and customer information in a safe and secure place, such as a

fire-proof vault, at the end of each work day.

- Periodically review the adequacy of fire and disaster insurance, making sure you understand what your policy covers as well as what it doesn’t cover.

- Develop and practice an emergency evacuation plan, with periodic drills, emergency plans and special considerations for any employees with disabilities. Coordinate with emergency and fire authorities.

- Establish a plan to get an alternate retail worksite—with staff, telephones and computer equipment—up and running during an emergency.

- Decide under what circumstances your music store should be closed (such as bad weather), who makes the decision, how the decision is communicated and whether employees are compensated.

- Carefully assign public relations responsibilities to a key person, usually an owner.

- Have individuals with key responsibilities keep copies of the plan at their homes in the event of an emergency. The plan should be updated every year.

**3. Get help in developing your disaster plan.** Most communities have local groups that offer consulting, training and support in disaster planning. You can often recruit your local fire department to help periodically train your staff on fire prevention.

You should hold a minimum of two fire drills a year and an occasional on-site self inspection and review. Try to train at least one employee on common emergency medical steps, such as CPR. Post instructions in a common area (i.e. the lunch room) on what to do in case of a fire, earthquake or other disaster, and make sure that your

employees are familiar with those instructions.

You should also make sure all smoke alarms are in working order and a fire extinguisher is on the premises. Keep vital telephone numbers and the store’s address next to each phone so panicking employees can give it to dispatchers.

**YOU’RE NOT ALONE**

Even with the best plans, an unexpected disaster will produce unexpected circumstances. But you don’t have to go through the recovery process alone, even though it may feel like it at the time.

In addition to various state and local economic development programs, the federal government offers relief to disaster victims, including small business owners, through various sources like the Small Business Administration (SBA), Federal Emergency Management Agency and even the Internal Revenue Service. It’s a good idea to check with these agencies regularly to see what benefits they offer business owners. If you have an emergency, don’t be bashful about contacting them for help, especially if you need recovery funds and could use the loans offered through the SBA.

A big part of being an entrepreneur is learning when to take risks and when to play it safe. Don’t take unnecessary chances. Use these tips and develop a meaningful disaster recovery plan for your business...and don’t forget to get your prostate checked, too (if it’s part of your anatomy, of course). **MI**

Are financial questions keeping you up at night? E-mail yours to [askalan@musicincmag.com](mailto:askalan@musicincmag.com).

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