

Building mainland
business

CANTERBURY
EMPLOYERS'
CHAMBER OF
COMMERCE

Crisis Recovery Manual

Resource Material for Business

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INTRODUCTION

This Crisis recovery Manual has been developed by the Canterbury Employers’ Chamber of Commerce.

The objective in creating this manual is to help employers plan, prepare and understand what is involved in a recovery plan following a disaster. The manual includes a number of quick guides which provide assistance towards best practice in rebuilding a business for the future.

It is recognised that each business is unique with varying needs in terms of recovery and in some cases this might not be a viable option. If you need further help in understanding or the next step for your organisation, please contact an Employment Relations Advisor at the Canterbury Employers’ Chamber of Commerce.

Disclaimer

The material in the resource is correct at the time of publication but can change at any time with amendments/additions to the laws relating to employment. Therefore it is the responsibility of users of the resources to ensure the material, at its time of use, is current.

It is stressed that the material in this resource does not cover all business and employment related matters and users are advised to seek assistance when relevant to ensure themselves that the actions being taken are appropriate.



SECTION 1 MANAGING A BUSINESS FOLLOWING A CRISIS

Introduction

The documents in this section are related to the pre-employment and recruiting stages of employment to assist employers prepare for the process of interviewing and selection. The documents are generic and employers should amend the materials to meet both their individual and any legal requirements pertaining to the position they are intending to fill.

Getting back to business

Following a crisis, 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 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 re-open 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 re-open. 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 cash flow 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 a recovery 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.

Getting back to business

Different businesses will be affected by a disaster in different ways. The checklist below is aimed to assist you if your business has been directly affected by a disaster, taking into account various issues you will need to consider and plan for before and after re-opening your business.

Mark with a 'Yes', 'No', or 'Action'.

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?	
• Do you have a lease?	
• What are the terms of your lease agreement?	
• Can you recommence trading from your premise 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 given your insurer your preliminary damage assessment?	
• Has your insurer been able to tell you what your insurance pay-out 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? If so, seek advice from the Employers' 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>Refer to Information Sources for Recovery Planning Quick Guide for further details</i>	
<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?	
<ul style="list-style-type: none"> • Have you determined how much cash your business has currently available by creating a cash flow statement? 	
<ul style="list-style-type: none"> • 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? 	
<ul style="list-style-type: none"> • 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>	
<ul style="list-style-type: none"> • Have you considered and noted your recovery objectives, actions and priorities? 	
<ul style="list-style-type: none"> • Have you established a recovery team with clear responsibilities from the recovery plan? 	
<ul style="list-style-type: none"> • Can you support such team members working off-site? 	
<ul style="list-style-type: none"> • Are you aware of all the requirements to re-open the doors for business? 	
<ul style="list-style-type: none"> • Do you need to arrange for the short-term lease of essential equipment until they can be replaced? 	
<ul style="list-style-type: none"> • 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? 	
<ul style="list-style-type: none"> • Have you costed your recovery plan? 	
<ul style="list-style-type: none"> • Can you afford this plan? 	
<ul style="list-style-type: none"> • Do you have a marketing strategy to promote that you are open for business? 	
<ul style="list-style-type: none"> • Have you incorporated your lessons from running your business prior to the disaster (good and bad) in your recovery plan? 	
<ul style="list-style-type: none"> • Have you incorporated your analysis of the market conditions post the disaster in your recovery plan? 	
<ul style="list-style-type: none"> • 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>	
<ul style="list-style-type: none"> • Addition of new product lines or removal of existing product lines? 	
<ul style="list-style-type: none"> • Addition of new services or a reduction of services? 	
<ul style="list-style-type: none"> • Reducing operating costs? 	
<ul style="list-style-type: none"> • Adoption of new technologies and processes? 	
<ul style="list-style-type: none"> • Relocation? 	



Re-opening your business

There are a number of key elements that you need to give serious consideration to and ensure you establish some processes around for the re-opening of your business.

Finance

As part of the planning process analyse the financial health of your business. This will allow you to determine whether it is financially viable for you to re-open your business, and also assist with finding areas where the business can be improved and where your business was doing well before the disaster.

Financial ratio analysis is a common method used to analyse the financial health of a business, and in normal circumstances, predicting the potential for success or failure and progress of a business. However, due to the changed circumstances after a disaster, this type of analysis may not be effective in predicting future trends, particularly if the disaster has been reasonably widespread, in which case the overall economic impact will impact the business environment for some time. This will need to be taken into account with assessing the future viability of your business.

Using financial ratio analysis will however be useful to spot any trends that were emerging in your business prior to the disaster and to compare how your business performed against similar businesses in the same industry. This information can then be used to help plan how your business should ideally operate after you re-open it.

Mark with a 'Yes', 'No', or 'Action'.

Can you afford to reopen your business?	
<ul style="list-style-type: none">• Have you completed cash flow and profit and loss forecasts?	
<ul style="list-style-type: none">• Have you used these forecasts to run 'what if' scenarios to measure how your cash flows will be impacted by unexpected events?	
<ul style="list-style-type: none">• Do you intend to fund the re-opening of your business from existing sources from the business, your own resources, other investors and banks and other lenders or a mix?	
<ul style="list-style-type: none">• Do the forecasts and your financial statements show whether the business can afford to use internal or external sources of finance to fund the re-opening?	
<ul style="list-style-type: none">• If not, can you adjust your recovery plan so that it is affordable?	
<ul style="list-style-type: none">• If you cannot afford your recovery plan, have you considered exiting your business?	
<ul style="list-style-type: none">• Where the business has existing debt financing arrangements, have these been reviewed to ensure that the finance facility and structure fits the new needs of the business?	



Sources of finance	
• Even if you can fund the re-opening of the business from existing sources, have you analysed whether it is better to use external sources of finance?	
• If you are seeking debt finance, have you spoken to your bank about your recovery plan and your funding needs?	
• What existing lines of credit does the business have access to and can these lines of credit be accessed to fund the re-opening of your business?	
• If you do seek debt finance, what security does the business now have available?	
• If you are seeking debt finance, have you determined the amount, the term and the reason you are seeking the money (e.g. to fund stock purchases or buy equipment)?	

Tips for improving the financial position of your business. The importance of financial management cannot be over emphasised, especially when business conditions become difficult. While profits may be the measure of success, it is cash that determines business survival. There are a number of ways you can look at improving the cash position of your business:

- Convert your customers' outstanding debt into cash.
- Prepare regular cash flow forecasts. If your business is having cash flow difficulties, you should be preparing forecasts regularly as they will show the likely extent of any crisis, and how long it might last.
- Keep an eye on your entire cash cycle. If you are in a difficult cash position, skew promotions towards those services or products which consume less resources or which can be turned into cash more quickly, but don't undersell your products or services.
- Measure and reward the right behaviour in your staff. For example, sales commission should only be paid on receipt of payment, not when a credit sale is made. This will encourage sales staff to focus on making sales to customers who are most likely to pay.
- Make full use of your terms of trade as this amounts to an interest-free loan. Don't pay your suppliers too early or outside their agreed trading terms. Be seen as a solid, dependable customer, as this will give you better scope for negotiating deals and favourable trading terms.
- Don't let personal drawings get out of hand. Ideally, only take a modest but regular wage or drawing, and leave the remaining cash in the business.
- Keep any fringe benefits or withdrawals of stock to a minimum.
- Don't hide your problems from your bank. Keep the lines of communication open. Demonstrate that you are on top of your business and understand your cash flow. Show you can provide financial information if you need to ask for temporary relief on loans.

Ideas to improve the profitability of your business:

- A profitable business is generally a successful business and your margin is a measure of that success.



- Prepare financial statements on a regular basis. They will give you the information you need to determine your overall profit margin, where costs can be saved, be used to determine the margin on individual items of stock and to compare how your business is performing against industry averages.
- Focus on boosting profit. Retained profit is an important source of cash to meet your obligations and it can also be used for investment. To maximise profit, you need to focus on sales that give you the highest margin, not just 'sales'. The only exception to this rule is when you deliberately set out to achieve another aim, such as disposing of dead stock to make way for profitable stock.
- If possible, don't discount prices on lower margin products or services. Use an alternative strategy, such as bundling in support services for a higher price. This is an especially valuable strategy with slow moving lines as it justifies the investment in them.
- Understand the profit contributions of each of your products, and your main customers. This will show you where to best focus your efforts and identify opportunities for improvement.
- Don't discount unless you can achieve the same or better gross profit margin. It may require large increases in sales to generate the same amount in gross profit. While some price discounting may be required to get shoppers' attention, a much better approach is to deliver the discount through, for example, an add-on product. This should deliver more dollars of gross profit to the business.

Operational requirements

There are a range of operational aspects, from location, to leases, to equipment, to actual daily operations, that you need consider as part of your reopening strategy.

Mark with a 'Yes', 'No', or 'Action'.

Location	
<ul style="list-style-type: none"> • Given the potential changed market conditions, is your business premises situated in the right location? 	
<ul style="list-style-type: none"> • Are there any plans by local government or others that may impact the viability of the location of your business, such as changes that may restrict access? 	
<ul style="list-style-type: none"> • Have other businesses re-opened or are going to re-open in your area? 	
<ul style="list-style-type: none"> • Is the size of your premises too large or small given the future potential of your business? 	
Lease and tenancy agreements	
<ul style="list-style-type: none"> • Is the property no longer habitable? Or Is the property un-tenantable? 	
<ul style="list-style-type: none"> • Do you have a standard Auckland District Law Society [ADLS] lease? 	
<ul style="list-style-type: none"> • Are you able to still pay your rent? 	
Major equipment	



<ul style="list-style-type: none"> • Do you still have the plant and equipment your business needs to restart? 	
<ul style="list-style-type: none"> • If not, will you receive equipment or money to purchase new from your insurer or will you have to finance the purchase of this equipment yourself? 	
<ul style="list-style-type: none"> • If you have to purchase the equipment yourself, have you analysed whether it is better to pay for, lease or hire purchase the equipment? 	
<ul style="list-style-type: none"> • Is the purchase of the equipment (including maintenance costs and insurance) justified given the possible changed market conditions? 	
<ul style="list-style-type: none"> • Is the necessary expertise readily available to install the equipment? 	
<i>Inventory</i>	
<ul style="list-style-type: none"> • If stock or supplies are to be replaced, have you reviewed historical information to see which stock is slow-moving? 	
<ul style="list-style-type: none"> • For stock identified as slow-moving, have you considered removing this from your range? 	
<ul style="list-style-type: none"> • Have you made an assessment of whether the changed market conditions will impact upon the buying patterns of your customers? 	
<i>Marketing</i>	
<ul style="list-style-type: none"> • Do you intend to advertise that your business has re-opened? 	
<ul style="list-style-type: none"> • Is there any promotion of your local area by government and others? 	
<ul style="list-style-type: none"> • Are you able to collaborate with others in your local area to market and attract customers back? 	
<i>Pricing</i>	
<ul style="list-style-type: none"> • Have you undertaken a break-even analysis to determine whether the prices you charge are making the profit you want to achieve? 	
<ul style="list-style-type: none"> • Have you compared your pricing to your competitors? 	
<i>Staffing</i>	
<ul style="list-style-type: none"> • Are your existing staff still willing and able to work for you? 	
<ul style="list-style-type: none"> • Are you able to pay your staff? 	
<ul style="list-style-type: none"> • Can the staff assist with the re-opening of the business? 	
<ul style="list-style-type: none"> • Has the potential changed market conditions (possible falling demand) impacted on your ability to retain your existing staff on the hours they previously worked? 	
<i>Business licenses and supplier contracts</i>	
<ul style="list-style-type: none"> • If you lost copies of your business registration certificates, licenses and other official documents necessary to operate your business, have you approached the relevant agency to get them replaced? 	
<ul style="list-style-type: none"> • Have you made contact with your suppliers and kept them up-to-date? You may need to postpone deliveries or even cancel orders; either way 	



keep the communication lines open.	
<ul style="list-style-type: none"> • Have you reviewed the contractual terms of your business to ensure you understand the legal status of the various clauses for you, your customers and your suppliers? 	
<ul style="list-style-type: none"> • Have you considered rewarding those suppliers/customers that were loyal and supported you while you were unable to operate? 	
<i>Record keeping</i>	
<ul style="list-style-type: none"> • Have you considered what accounting system are you going to use or continue to use to keep the financial records up-to-date? 	
<ul style="list-style-type: none"> • Are there any improvements you can make to your record keeping system, such as keeping backups of your financial system offsite? 	
<i>Meeting statutory obligations</i>	
<ul style="list-style-type: none"> • What statutory obligations do you need to meet, such as lodging a tax return? 	
<ul style="list-style-type: none"> • Has the requirements to lodge and pay such returns/forms/obligations been delayed? 	
<ul style="list-style-type: none"> • Have your reconstructed financial records given you the necessary information and evidence to be able to complete such returns? 	
<i>Thanking everyone</i>	
<ul style="list-style-type: none"> • Have you thanked everyone involved in assisting you? 	

Points to remember in the future

- Paying staff - bear in mind that in most cases employers will have a duty to pay employees even if they have been prevented from working. The determining factor is whether they are ready and willing to work, if so they must be paid (check their employment agreements). If you are not financially able to pay your employees both parties will need to agree to a temporary discontinuance of work where wages need not be paid. Discuss the option of employees consenting to annual leave, and if unable to agree, that you require annual leave to be taken with 14 days' notice in writing. The key here is open communication with your staff and seek advice if you are unsure of what to do.
- Have you considered putting in place a business continuity plan to help you in case you go through another disaster?
- Have you reviewed your insurance policies to see whether they are adequate and whether there are any gaps in your insurance coverage?
- Always remember to keep your own record of damage, use photographs or video to record accurately.
- Suspend and reduce non-essential outgoings as this will aid your cash flow recovery and also help you decide whether you need to carry on with these expenses in the future.



- Consider a contingency fund once you are back up and running, to cover insurance excesses and employee wages and outgoings to cover 3-6months should any disasters happen again.
- Keep your bank, accountant, lawyer, insurer and tax agent up-to-date with what is happening with your business to assist with maintaining an open and communicative relationship with them.

Reconstructing your financial records after a disaster

One of the first business steps you should take after a disaster is to attempt to reconstruct your financial accounts. Such reconstructed financial records will give you much of the information you need to make decisions on the future of your business.

If you have not been able to salvage your financial records, your first step to reconstructing your financial records is to seek evidence of past financial transactions. Such evidence will provide the base upon which you or your accountant can begin reconstructing your financial records.

The main source of such evidence will be from the business' own records. Where such records no longer exist or are incomplete, examples of other sources of such evidence include:

Inland Revenue Department

Prior income tax returns, Business Activity Statements, Fringe Benefit Tax returns, PAYE Annual Statements, Employer Declarations, Payroll Tax returns, etc.

Accountant and financial adviser

Your accountant and financial adviser may have copies of financial statements and tax returns for your business.

Off-site sources

Check whether there are any files kept off site, for example, where activities are outsourced e.g. IT, payroll, etc. In such a situation, the service provider may have information still on file.

Ask staff whether they have records off site, for example, emails and other documents in their computer, memory sticks and other electronic storage devices etc.

Check with your off-site IT back up system provider as often their premises are designed for this very reason or can be hosted away from the disaster area.

Banks, credit unions and building societies

Past bank statements provide a great resource. For example, they may assist you to remember or allow you to take a good guess at many of the transactions through your account, even though the primary records of the transactions are gone. Banks can charge for replacement statements, however they may waive such fees following a significant disaster.



Surviving files

See if any files, including electronic files can be recovered from the disaster. For electronic files, even though the hard drive may look bad, experts may be able to recover the data. Whether this is undertaken will likely dependent on how valuable the data is and whether the data can be sourced from elsewhere.

Lender

Where you have borrowed money from a bank or other lending institution, speak to that institution to determine what files they have. Banks may undertake an annual review of the business, for which they will have been provided by you with financial information, thus they should have on file your financial statements and forecasts.

Customers and suppliers

Customers and suppliers may have invoices, remittance advices, purchase orders, receipts etc that they may share.

The New Zealand Securities and Investments Commission

If the accounts are audited, the audited accounts may have been lodged with NZSIC. Check with your auditor.

Auditors

If the accounts are audited, the auditors may be able to provide copies of work papers and other records obtained during the audit.

Insurer

Speak to your insurer, as your insurer may have a list of the assets owned by the business (if provided by you at an earlier date).

Other government agencies

If your business has received government funding/grants, the awarding government agency may have records of the funding and how it was used.

Accreditation or certification bodies

If your business is subject to any other form of audit, certification or accreditation of your activities then they may have records that could be used.

Titles Office

The Titles Office should have copies of legal titles to your properties.

Lawyers and finance companies

They may have copies of contracts that the business has entered in to (including hire purchase agreements, lease agreements etc).



Email correspondence

Your business, your Internet Service Provider (ISP) or your staff may have copies of emails and documents forwarded to clients, suppliers and other relevant parties. This will also have the additional benefit of assisting with the reconstruction of a contact list if not backed up. If a blackberry/PDA is used, then significant data may be recoverable from this.

Share registries

Where the business owns publicly traded securities this information will be available from share registries.

Where it is not possible to fully reconstruct financial records, the information you have been able to find plus your knowledge of the business should give you a fairly comprehensive approximation of the financial position of your business.

If that is not successful, a potential solution may be to apply industry benchmarks to the information you have been able to reconstruct.

As well as reconstruction of records, and if not already considered, it will be worth putting in place temporary measures for the recovery phase to record current activities and transactions, help manage cash flows and enable you to work easily with key clients, suppliers and government agencies.

Following the reconstruction of financial records, you will be able to evaluate your financial position and from there, consider if, how and when to re-establish your business and relevant financing requirements.

Risk Management

Business difficulties can be caused by a range of external factors such as a fall in consumer sentiment, rising fuel prices, customers moving to competitors, difficulty accessing finance or increasing interest rates; or they could be caused by internal factors such as poor risk management, failure to manage cash flow properly or because of a margin squeeze.

Regardless of the causes, small businesses need to take action when the going gets tough. While there is no single cure-all, there are many steps a business owner can take to manage through the difficult times and position the business for future growth.

Some tips and suggestions for taking stock of your business

Adopting a risk management mind-set is the key. The first step is to take stock.

Business owners need to identify and manage any weaknesses in their business or their industry's performance, while not being blinded to any new opportunities that might emerge.

To enable you to take stock of your business, ensure that you:



- Understand your customers – their requirements and behaviours, and why they come to you.
- Have a thorough understanding of your business operations, cash flow and key performance indicators.
- Insure your business sufficiently to cover the excess that you cannot afford to carry yourself in a crisis - this may include business continuity insurance or loss of income, as well as building, plant, machinery and stock.
- Protect yourself against loss of data – with most electronic data these days it is vital for your business continuity to ensure you have good data back-up processes in place, and that you have copies of digital files stored off site, so that you can recover this information.
- Measure your business performance constantly and make adjustments as needed.

There are a number of key indicators which will quickly tell you how your business is tracking. They could be as simple as the value of daily sales, or the cash balance or the debtors' balance, or the value of orders and invoices you owe to suppliers. Or they could be an activity indicator such as total billable hours, occupancy or usage factor, the value of bookings for next week or an average sale value. Create a graph showing these indicators and update it daily or at least weekly. It will quickly show you any adverse trends as they emerge.

Make sure that you take action with a purpose and for the right reasons. Develop strategies that aim to boost your cash position and/or profitability [without starving the business of the essential investment in stock or promotion]. Remember - you can be making a profit but still go out of business because you lack sufficient cash. Cash is king.

Keep looking for underlying improvements in the business; don't just cut costs. In this way, your corrective actions will also put your firm on a better footing for longer-term success.

Insurance

This is always a big risk area, as you can easily carry too little insurance to cover all potential losses.

Before you try to get operational again, check with your insurance company **before** you attempt to deal with any repairs as they may assist with an interim payment to enable work to commence.

Find out from your insurer what the process is, for example, when does the loss adjuster visit and what can you claim for or the actions you need to take? Always make your own record of damages using photographic evidence and list the damage to plant and equipment. If you have perishables make a list of those and anything else your fridge/freezer contained and was lost through damage.

Understand your rights and obligations under your insurance policy. Issues you need to consider include:



- When and how operations will be resumed
- Whether advance funds are available or required
- How the elements of loss will be valued, and
- What precisely is covered?
- What your excess is and whether it will apply to each claim following the same disaster.

Collect and preserve all of the data that will be needed to calculate and prove your claim such as:

- Historical sales and costs data
- Information on recent business changes that may have improved business profitability, and
- Accurate records of extra costs incurred as a result of the damage to your property.

Talk to your insurer and loss adjuster to make sure that you agree the way forward as later disagreements can be costly. Legal advice may be useful if there is uncertainty or disagreement about what may be covered.

Change your attitude

Don't just do what you've always done. It is up to you to think about what changes will help you improve your business. This means looking back at what you did last time, and identifying areas of weakness with potential to improve. Remember that what you did last week may well have contributed to the unsatisfactory situation you find yourself in today.

When working through this process, consider new angles on old problems. Work on the parts of the business you can influence, versus those that are immediately out of your control. Put process in place to lessen the effect of the things that you have little control over.

You are part of a business environment, with others trying to do the same as you, so take the opportunity to learn from others in your industry.

Be prepared to be flexible. This is key. Continuing to do the same things is not a good long-term strategy for your business. Become highly adaptable and innovative – set yourself a goal to become your industry leader.

See our Quick Guides on Identifying Your Core Strengths and Staying Fit and Lean to gain further tips on identifying your strengths and weaknesses, and identifying where you can make improvements in your business.

Managing in Times of Financial Difficulty

When your business has suffered as a result of a disaster or some other crisis, finances are bound to suffer for a number of reasons. It is therefore vital to look carefully at your business operations and look at how you can best manage your operations through cost controls, debt



minimisation and stock control, and refocus your attention to ways to maximise your sales and cash income.

Controlling costs

Costs need to be controlled to a level consistent with the firm's needs. Don't just cut costs. Longer-term and recurring savings are better than short-term wins. Once the easy savings are made, focus on improving sales and gross profit, as this will have a larger impact on the future success of your firm.

Ways you can look at controlling your costs:

- Identify the expenses that keep you in business. For example, presentation of premises, advertising and promotion, enhancing staff skills. Keep them at sustainable levels.
- Look carefully at your costs, without criticising every individual transaction or usage, as this may become counter-productive as well as time consuming versus actually addressing your current need. Often a review of the business' processes can eliminate the need for certain costs completely. For example, total interest costs might be reduced by negotiating a lower margin with your bank or by reducing the amount of debt being used.
- Measure the success of each promotional activity or campaign. For example, direct response type advertising campaigns (direct mail or emails or coupon ads) are considered more cost effective for the same campaigns than advertisements in papers or magazines and vice versa. Look for ways to measure response. This does not necessarily mean cutting your promotional spending: it just means increasing its efficiency.
- Look at your stock levels. Are you carrying a high inventory of stock that is redundant? If so, put it on sale, so that you can recover your money, and free up valuable space for items that are selling well at a profitable price.
- Be flexible in your staffing arrangements. Review staff availability against customer flows. For example, a core of full-time, permanent staff supplemented by a group of casual or part-time workers may help you through busy periods. However, make sure you are familiar with appropriate legal requirements.
- Don't forget that your employees are a key resource, especially in today's employment markets. Replacing staff can be very costly, so do not rush out to immediately make staff redundant to suit the current environment, when in a few months' time, when things pick up you may need them again. Use motivation and incentives to create an environment where people want to stay and succeed.

Reduce your customer debt

Keep in regular contact with your customers about unpaid invoices. You would be surprised how many businesses don't chase up late payment. Keep in touch with your customers by asking questions such as:

- Were you happy with the product/service provided?



- Did we provide you with the right paperwork?
- When might we expect to be paid?

This is particularly important if you are discounting sales, as you have less gross profit margin to generate the cash you need to run your business. Here are some tips to help you manage your debtors:

- Negotiate periodic payments if that helps your customer clear overdue amounts. Make sure they stick to their side of the deal - for example, you might accept 90 per cent of the old balance if it's paid by a certain time.
- Perform credit checks and establish and agree on proper commercial terms for future dealings with customers, including realistic credit limits. Some customers may not be worth the effort if they continue to pay late, as they will be adding extra administration costs to your business.
- Make sure your invoicing and debtors are well managed. Don't let poor or sloppy processes, such as not preparing aged debtor reports, contribute to customers delaying payment.
- Encourage your customers to pay immediately with discounts for cash sales, for example.

For further guidance on managing your debt see the Quick Guide on Managing Your Debtors.

Control stock

The essential principle to stock control is to have the right level of stock to satisfy the needs of your customers and to have room for new items.

Keeping stock levels low, but workable to the delivery timeframes of your customers, reduces the amount of money you have tied up in stock, thereby freeing cash for other uses. It also helps to keep your storage and display costs down and reduces your risk of carrying 'unsalable' stock. Below are some tips to assist:

- Get rid of slow-moving and obsolete stock. Either put it all in a clearance bin so you can convert it into cash or write it off and destroy it to clear storage space. Carrying too much stock or dead stock means you are tying up cash.
- Removing the unprofitable stock will help you focus on the stock that generates the cash and the margins that keep you in business.
- Maintain necessary stock to maintain sales momentum and ensure customers are never disappointed over availability of the basic products in your range.
- Tighten the buying of your stock. Knowing the volume sales per stock item will help you buy the right amount. Carrying not enough stock may end up disappointing customers when you run out, while carrying too much means you are tying up valuable cash that could be put to better use.



- Negotiate deals with suppliers but avoid volume-based discounts. When money is tight, there is no point investing in next month's stock without good reason. Instead of volume discounts, try to negotiate discounts for prompt payment (unless your cash position is poor) or negotiate for smaller and more frequent deliveries from your suppliers to smooth out your cash flow.
- Don't let discount prices drive your stock-buying decisions. Buy stock you can sell at a profit in a reasonable time frame.

For further tips on managing your stock see the Quick Guide on Stock and Inventory Control.

Improve sales

Making sales is the reason you are in business. It's therefore important that you ensure that the sales you do make are profitable for you. Focus on the additional profit from sales. Don't think that more discounted sales are the true measure of success. Below are various sales tactics you could use to improve the profitability of your business:

- Don't chase just any sale; chase profitable sales. The only exception to this rule should be when you deliberately set out to achieve another aim such as getting rid of dead stock or building market share.
- Create added value with your offers. For example, provide a gift or bonus with certain purchases, or a discount on a second item, or include a free training session with the purchase of a capital asset such as a photocopier. This tactic is especially effective if you can bundle a slow moving or dead stock item at a discount together with a fully priced fast moving item. You are delivering customer value while making a sale of an item you might not have otherwise sold.
- Encourage companion selling and up-selling by your sales personnel.
- Use in-store signs to highlight the product of the week, or today's special. This is a very low cost way of generating traffic and interest in a retail environment. It might get customers into the habit of coming back tomorrow for the special of the day.

The best run businesses use the above ideas during the good times as well as the bad in order to maximise their profits and minimise risk. Using them can help your business to emerge in a much improved market condition which very likely will lead to long-term growth.

For Sales training check out the Certificate of professional selling [modules 1-6]. These courses offer attendees the chance to learn about the whole selling process; from finding and engaging the prospect through to selling add-ons and time management.

Business Continuity Planning

In the event of a disaster, it is important that core people and core skills are available to keep essential parts of your business operating. The following points are designed to help you to plan for the continuity of your business during and following a crisis.



Identification of core people and core skills

To operate your business even at a reduced capacity will require a certain level of human resource with an essential set of skills. So the first thing you should do is identify what core skills you require to continue to operate your business, and who your key staff are that have these skills.

Issues you may wish to consider in this assessment include:

- What are the 'essential' parts of the business?
- What are the core skills required to keep business running?
- Who are the core people required to keep the essential parts of the business running?
- Who are the core people required to manage the disaster contingency plan?
- Are there sufficient back-ups for core people and skills if there is a high level of absence?
- Are there other resources (e.g. volunteers, retirees) that could be drawn on if necessary?
- Is it possible to co-ordinate/operate your business through a 'virtual office' – that is, remotely, using telephone and email?
- Do you have any systems which rely on periodic physical intervention by key individuals, to keep them going? How long would the system last without attention?

Once the core people and skills are identified, ensure that they are aware of their position and how they will be managed in the event of a crisis or disaster. Consider strategies for minimising the possibility that they become personally or further affected themselves by the crisis or disaster: e.g. working from home even in very early stages of a disaster, or social distancing measures if a pandemic.

If working from home is not a well-established practice in your organisation, you may wish to encourage staff to give it a go, say once a fortnight, to aid familiarity and to help iron out any computer connection/technological/communication issues.

You may wish to have non-essential staff 'stand down' (with appropriate pay arrangements) for a period of time immediate during or after the crisis.

In some crises circumstances employees have the option of leaving their jobs. They also have the right to refuse to perform work if they believe it is likely to lead to their suffering serious harm. Their belief must however be on reasonable grounds, and they must have attempted to resolve the matter with their employer before they can continue to refuse. The right to refuse unsafe work does not apply unless the understood risks of the work have materially increased. To avoid such situations, it is best to have discussions with staff.



Business planning for reduced operations

During a crisis and immediately following you are not likely to be operating at your full capacity for one reason or another. This means you need to plan operationally for the reduce level of activity.

Issues you may wish to consider include in terms of planning for reduced operations include:

- What critical staff numbers and skills are required to keep essential sectors of the business running?
- At what level does business stop?
- What arrangements need to be made to minimise risk to staff?
- Who should make the decision to shut activity down when conditions or staff absence rates threaten safe business continuity?
- Could some, or all, of your business operations shift to having most staff work from home with little warning?

A crisis may affect your local area, or regions of New Zealand and the world differently in terms of severity and duration, with some areas experiencing worse affects than others.

Depending on the crisis, for example a pandemic, businesses with regional offices may need to consider rotating service delivery from hard hit areas to disease-free areas, or areas that have been declared to be in a post-pandemic period. Restrictions on movement of people from region to region may be imposed in a crisis, which may make rotation of staff difficult.

Businesses with overseas offices, or which use services outsourced from overseas (e.g. call centres), may be disproportionately affected, as they may, depending on the type of crisis, be worse affected, or not at all. This needs to be taken into account in terms of service delivery to customers.

As part of your planning, consider your communication needs and how they might be maintained with:

- Other business units in your organisation;
- Government;
- Key suppliers;
- Key customers; and
- Key contractors.

All this key operating and emergency management information will need to be stored in known, accessible and shared locations.

Areas of information to include:



- Company products and services, including the facilities, equipment and processes needed to produce them
- Products and services provided by suppliers
- Operations, equipment and personnel vital to the continued functioning of your business
- Backup systems — including details of arrangements of work outsourced or done offsite, for example:
 - Payroll
 - Communications
 - Production
 - Customer services
 - Shipping and receiving
 - Information systems support
 - Emergency power
 - Recovery support

This information should be stored both on and off site and be accessible for the ‘recovery team’ to tap in to as required in a crisis. There must be an individual or group in charge of developing the emergency management plan, and to regularly review and update as required.

More Information will be available in Part 2 Planning for a Crisis.

Keeping your business operational

You need to give thought in all your planning as to how shortages of supplies may affect your business operations.

Shortages of supplies may occur because of increased demand during the crisis (i.e. basics like food and water, essential services). You need to ensure that you have adequate availability of essential supplies for your customers, and know how to source more quickly if you need to.

You need to consider that shortages in supplies may occur because of disruptions in transportation systems or inability of suppliers to meet demands because of their own staff availability. Some New Zealand supplies travel considerable distances by truck, train, ship or aircraft, or come from overseas, and are vulnerable to any disruption. Absences of workers/drivers and other transportation staff may affect both the production and delivery of needed supplies. Supply lines may also be affected by mandated or self-imposed travel restrictions (e.g. transporters unwilling to travel through or to affected areas). Discuss with key suppliers a plan for regular shipments in the event of shortages or disruptions in transportation systems.



Collaborate with other businesses

If you are unable to get your business back up and running in a short space of time, you might want to collaborate with other businesses to ensure you don't let your customers down.

For example you could outsource work or orders that you are unable to complete in-house until you are up and running again. Consider forming a partnership with a similar business in another location to ensure you meet business obligations. If your premises are unusable, consider co-locating with another business.

Discuss some options with your staff. They may have some great ideas or solutions to limit the losses in your business, while business mentors are a great way to bounce ideas and see how viable a partnership could be.

For further assistance with your continuity planning see our resources on business planning, planning for change, marketing strategy, communications, customer relationships, and types of insurance.

Exiting your business

Sooner or later most business owners come to a time when they will start to think about moving on and exiting from their business. Regardless of your reasons and the strategy you choose, you will undoubtedly improve your outcome if you seek professional advice along the way.

The reasons why a business may be wound up are many – a crisis or disaster may just bring some of those reasons to the fore.

There are several ways in which you could exit from your business, including:

- Selling your business as a going concern
- Passing your business on to a family member, partner, employee or other stakeholder
- Merging your business with another business
- Closing your business – selling off the assets and cease to trade
- Liquidating – liquidation of your business and selling of the assets
- Forced closure – file for bankruptcy or liquidation.

For further information on options and ways to exit your business see our Quick Guide on Exiting Your Business.



Inventory & Stock Control

Quick Guide

Inventory & Stock Control

Carrying inventory is part of running a business. Maintaining optimal inventory can be a challenge when faced with unpredictable customers. Finding the right balance between having sufficient inventory available to ensure you can meet your customer demand, while reducing the cost to your business of having high inventory and low turnaround, can be challenging.

If you are low on stock the result can be a financial burden on you.

Below are some tips that may help you better manage your stock and inventory:

- Assess your inventory policy – does it still work for your business in the current environment?
- If you manufacture, ensure you have communication and information flow between production and sales, distribution and production, so that sales aren't promising to customers what can't feasibly be delivered and that time frames are realistic.
- Implement systems for tracking product sales. This will enable you to identify slow moving and obsolete items, fit in with trends/seasons, work out your margins on stock, and determine your cost of storing stock.
- Develop a sound relationship with suppliers. Ensure they can supply you on short notice. Work with them to find a process and pricing that works for both of you. Consider 'Just in Time' inventory management, which means stock arrives as it's needed, reducing your warehousing needs, and money tied up in stock.
- Manage your inventory – keep a visual control, carry out regular small stock takes, and use an inventory management process (manual or electronic). Review stock levels regularly, turnover rates and purchasing policy – free up money by reducing stock.
- Implement a stock purchasing system and trail process – include what to order, how to order, quantity to order, delivery times, reordering process and trigger point for reordering, arrival checks, addition of goods into your inventory, suppliers stock levels and ordering quantities.
- Buy or produce only what is selling and what your customers want – review previous sales and trends to forecast potential demand.
- Buy only as much as you need to hold - keep your inventory and materials moving on a fast turnaround, while ensuring you have sufficient levels on hand for customers or production and taking advantage of bulk discounts where possible.



- If discounts are offered by suppliers – ask why they are discounting. Is there a new model being released making this one obsolete? Or are your discounts because you have a special relationship with them?
- Watch stock rotation. Move out slow moving stock – have a sale or approach suppliers to take back excess. Define a refund policy.
- Calculate your sales cycle/stock rotation – use historic data – to find out how long your stock sits around to minimise the length of time. $\text{Stock days} = \text{stock on hand} \div \text{cost of goods} \times \text{time period}$. Stock days can be used to benchmark against other companies in your industry to determine whether you are a low, average or top performer.
- Don't be left with obsolete stock – take action. Find an alternative distribution outlet, sell cheaper, offer up product for free as bonus to customers buying other stock, talk to your supplier about taking back excess, or recycling options. Holding onto it costs you money, by being tied up in obsolete goods and taking up space that could house productive stock.
- Review, review, review – what, where, why and where-to-now with the stock?

The Employers' Chamber has a range of resources available to help you implement the above tips into your business:



Types of Business Insurance

Quick Guide

Types of Business Insurance

This quick guide is designed to assist you in knowing the types of insurance that are available to businesses.

Introduction

Business insurance, also known as *commercial insurance* or *liability insurance* is vitally important for the business survival and continuity. It protects you from the financial consequences of any accidents or law suits that may occur during your day to day business activities, and natural disasters. Many businesses rely on insurance to reduce the risk of crippling expenses should the business suffer significant damage or loss. Most business insurance policies are customised to suit the needs of the individual business.

Commercial insurance generally covers:

- Material (asset) damage - buildings, stock and plant, and equipment to cover against loss or damage.
- Motor vehicle – covering company cars/vehicles regardless of how many vehicles.
- Liabilities – there are many policies available, offering different levels of coverage - e.g. public liability insurance, statutory coverage insurance and insurance that covers your responsibilities as an employer (ACC).

Material Damage Insurance

This covers your business assets like buildings, tools, plant, machinery, equipment and stock for unintended and unforeseen physical loss or damage from events, such as fire, burglary, theft, flooding, subsidence, landslip, earthquake, hydrothermal or geothermal activity, volcanic eruption or tsunami.

Some example benefits of material damage cover include:

- Insured tools, plant and machinery for use anywhere within New Zealand.
- Cash lost or stolen whilst securely locked at your business premises, or in transit, you can be covered up to a certain value.
- Your employees' personal effects at the premises or elsewhere when being worn or used in the course of their employment (e.g. laptops, phones and cameras) can be covered up to a certain value.
- Where keys to your premises have been stolen or duplicated without authority there is cover for the cost of altering or replacing your locks and keys, up to the sum insured specified in your policy.
- Refrigerated goods are automatically covered for damage due to accidental stoppage or breakdown of fridges and freezers, up to the sum insured specified in the policy.



Motor Vehicle Insurance

This tends to be a separate policy. It covers accidental damage and repairs to company vehicles, windscreen, theft, fire damage, legal liability for damage to someone else's vehicle or property or ACC events involving uninsured drivers.

Policies vary according to how many vehicles your business has.

Business Interruption Insurance

This insurance provides cover for financial loss when your business is interrupted or interfered with due to damage from the risks insured under Material Damage and other specified causes. Its primary purpose is to maintain the level of your gross margin prior to the interruption.

Some key features include cover for loss resulting from interruption or interference to the business:

- Due to the closure of the premises caused from Material Damage.
- Resulting from damage at suppliers' or customers' premises.
- Directly resulting from interruption or interference with the business due to prevention of access taken by a public authority (e.g. Police, Fire etc).
- As a consequence of insured damage to public or private utilities which you may use.

Liability Insurance

This provides cover for your businesses' legal liability for damage to other people's property or personal injury to others which was neither expected nor intended from your standpoint.

Some example benefits of liability cover include:

- Public liability – protects against 3rd party damage usually following an act of negligence by you or your employees.
- Employers' liability – protects against actions from employees that fall outside the scope of ACC (e.g. mental health, trauma, stress).
- Statutory liability – protects against actions brought about under certain Acts of Parliament (e.g. Health & safety Act).
- Professional indemnity – protects against damage caused by wrongful advice or design.
- Directors' & officers' liability – protects company directors and the officers against liabilities resulting from the obligations under the Companies Act.
- Key Person Insurance
- In addition to specific business insurance you also need to consider insurance for key persons.
- Things to consider regarding key person insurance:
 - What is the structure of your business – company or partnership?
 - What shareholder agreements are in place in relation to pre-emptive rights to acquire shares from other shareholders?

If the death (or other event) of a key person of the business triggers the pre-emptive rights, appropriate insurance can provide the funds needed to complete the transaction.

Should a key person be unable to continue in the business, appropriate insurance may provide the necessary funds to employ a professional manager in their place.



As a business owner you may wish to insure your income if health issues prevents you from continuing in your business.

This insurance is complex and specialised and we would recommend you seek specialist advice in this area.

Cost Tips

Work closely with your commercial insurance broker. They act on behalf of you in all negotiations with the insurance companies, from obtaining your first quotations through to renegotiating your renewal premium, to handling your claims.

Brokers can recommend appropriate cover for your business and assist with selecting a suitable underwriter. It's also important to keep them informed of any changes that may affect your business policy or a claim.

Some points to note on purchasing insurance:

- Compare insurance quotes, and actual cover provided. There are similarities between the major companies, however read the fine print.
- Risk management is a key area in determining your premium, therefore ask the provider how you can reduce risk or prevent losses. This may result in discounts on your premiums.
- You can reduce your company insurance premiums by paying a higher excess. Ensure however, that you have money set aside to cover your excesses when the time arrives.
- Avoid shopping around too frequently as this will influence your premiums. Have an on-going relationship with your insurer as this will build trust.
- Check out your insurance broker – insurance brokers do not have to be registered.

Checklist

Depending on the type of commercial insurance you are purchasing, insurance brokers will need to know the following information:

Signing authorities for the business - usually with small businesses it is the company director(s)

- Type of business - e.g. manufacturing, retail etc
- Specific details of your business, including:
 - the number of vehicles you have, any claims made on the vehicles, their ages and mileage
 - number of employees, including full time and part time
 - previous insurance history.

If you are purchasing liability insurance, you will need to know the amount of coverage you actually require (often these are standard amounts).



SECTION 2 EMPLOYMENT RELATIONS FOLLOWING A DISASTER

Introduction

In the wake of a disaster questions get asked by employers and employees about the impact that a disaster has on their employment arrangements, especially pay.

Good Faith Communication

The first focus for most people will not be their minimum legal entitlements, but how best to work through what is a very difficult situation for all concerned. In the usual way, good and open communication is the key, although this will be made more difficult because of the additional stress people are under and the practical difficulty people will have getting together or communicating remotely.

It is critical that employers and employees do their best to talk to each other, and that employers keep records of any arrangements made or changed.

Employment Agreements

When considering your legal entitlements, the starting place, as always, is the employment agreement. For instance, some agreements state that the employer may stop paying employees when the business is shut down for reasons beyond the employer's control [usually called "business interruption" or "force Majeure" clauses]. A natural disaster or "act of god" tends to bring such clauses into play, although they usually require notification. Also check for relevant policies, such as those put in place during the bird and swine flu pandemics.

Even if an employment agreement or policy deals expressly with this type of situation, it is unlikely to be a complete answer.

When Staff Refuse to Work

Under the Health & Safety in Employment [HSE] Act employees can refuse to work if they reasonable grounds to believe the work they are required to perform is likely to cause them serious harm. Employees are obliged to discuss and such concerns with their employer and it may be that the parties agree on other solutions, such as working from home.

Employees who refuse to work on these grounds must do any other work within the scope of the employment agreements that the employer reasonably requests. If an employee unreasonably refuses to attend work, the employer is not obliged to pay the employee, and may have grounds for disciplinary.

Seek advice from the Employers Chamber before entering any disciplinary action.



Returning to Work

The HSE Act requires employers to provide a safe workplace for employees, contractors and others who might be entering the premises [e.g. clients/ customers]. Health & Safety should be a primary consideration for employers and employees in reopening workplaces, and employers should identify and manage [eliminate, isolate or minimise] any hazards. Employees are also responsible for their own safety and of that of others in the workplace. This includes using appropriate clothing and equipment for safety.

Future practices

It is worthwhile considering the inclusion of force majeure/business interruption clauses in employment agreements or to implement policies to deal with extreme situations.

Disasters and Crises should remind employers to consider their emergency preparedness, and whether there are things they can do to make workplaces safer.

E.G.

- Bolting bookcases and heavy furniture to the wall
- Adequate first aid kits
- Emergency supplies



Restructuring & Redundancy

Quick Guide

There is no one single definition for redundancy, but the concept can generally be summarised as a situation where an employer has a supply of labour that is surplus to requirements.

Redundancy can occur due to a range of circumstances, including: less work coming into the company, a need for cost saving, a relocation, the introduction of new technology, or sale or transfer of the business.

RESTRUCTURING

The Employment Relations Act 2000 sets out specific provisions that apply in situations defined as 'restructuring'.

Essentially this involves contracting out all or part of a business to another person, selling or transferring all or part of a business to another person, or terminating a contract with a contractor and either re-tendering the work to another contractor, or taking the work back in-house. A restructure does not include a share sale or transfer, or any transfer made in situations of bankruptcy, receivership or liquidation. Nor will a restructure include situations of internal positional restructuring or reorganisation where all work remains in-house.

If a restructuring fits into the above definition the Act provides specific provisions for dealing with a specified group of employees¹, and all other employees must have an 'employee protection provision' in their employment agreements. Contact the Employers' Chamber for information on the Act's provisions, or for assistance in getting employee protection provisions into your employment agreements.

Where an employee may be made redundant under this type of restructuring, employers must follow the provisions of the Act (for employees in the specified group) or the employee protection provision in the relevant employment agreement (for all other workers).

REDUNDANCY

Redundancy may occur as a result of restructuring as it is defined in the above section or in any other situation where an employer has staff surplus to requirements.

Where an employee has been made redundant, that employee has been dismissed. As with any other termination of employment, the employee may challenge the dismissal by raising a personal grievance. The employer must then be able to show that the dismissal was justified on both substantive and procedural grounds.

Before commencing any process that may result in redundancy, it is essential that employers check the relevant employment agreement(s) since it/they may govern the process, selection criteria and compensatory entitlements.



SUBSTANTIVE GROUNDS

Justifying a dismissal on substantive grounds requires the employer to show that redundancy was the genuine reason for the termination of employment (not poor performance or other). Redundancy must result from a genuine commercial decision. It is the position, not the person, that is no longer required.

PROCEDURAL GROUNDS

Consultation

An employer must consult with the employee or employees concerned in an attempt to avoid redundancy. Employees should have an opportunity to input into the decision making process, making any representations that they wish about the employer's proposed course of action. Alternatives such as redeployment should be considered.

The employee must be afforded the opportunity to have a competent representative present at all discussions. (Note that there may be some situations where consultation is not possible.)

Selection

Where redundancy is unavoidable, the employer must also be prepared to justify the selection of which employee(s) was/were made redundant. If there is a choice as to who could be made redundant (for example, if there are several employees performing the same role) the employer may, in consultation with the relevant employees, determine an appropriate selection criteria. Traditionally this is 'last on first off', but a selection criteria could include an objective assessment of employees' skills and/or performance.

Notification

Where an employee is made redundant, the employer must give the employee the correct notice as per the relevant employment agreement.

Compensation

There is no statutory obligation to pay redundancy compensation. Compensation is only payable where an employer and employee have agreed that it will be (in an employment agreement or otherwise).

Before taking any action, employers faced with a potential redundancy situation are strongly advised to contact an adviser at the Canterbury Employers' Chamber of Commerce email es@cecc.org.nz or call phone 03 366 5096.

¹ The specified group of employees includes those employed in cleaning and food catering services across all sectors; those employed in laundry services in the education, health and aged care sectors; caretakers employed in the education sector; and orderlies in the aged care and health care sectors.



Letter Sample 1 (Informing of Redundancy)

Personal and Confidential

<RECIPIENT NAME>

< ADDRESS 1>

<CITY>

<RECIPIENT POSTCODE>

< DATE>

Dear <RECIPIENT>

You may already know that we have made some changes to our workforce due to <background reason for redundancy>. I am sorry to have to inform you that because of this situation your post may be lost through redundancy.

This letter is not a redundancy notice, but forms part of our procedures for informing staff who are 'at risk' of redundancy at the earliest opportunity and to explain the options open to you.

How your post was selected

The criteria used for redundancy selection look at the match between an individual's experience and the on-going and future work needs of <company name>. You were included in a redundancy selection pool as part of this process and have been identified as being 'at risk'.

Opportunities to discuss the situation formally

We welcome any views you may have about avoiding redundancy and/or about the selection method that has been used. We can offer a period of <e.g. 3 working days> from this meeting for you to consider the situation. We would then like you to meet with us a second time where we can discuss your views. You may wish to invite a support person to attend with you.

At least <e.g. 3 working days> after that second meeting we will hold a third, final consultation meeting at which you and your chosen representative can discuss the redundancy proposal with us further. If we cannot support your views about avoiding this redundancy and if there are no suitable redeployment opportunities, redundancy will be confirmed and formal notice of redundancy issued at that point.

Finding another post

Redeployment is clearly an option to be considered carefully and your thoughts on this are welcome. There may be redeployment opportunities at <company name>. We will work with you in identifying suitable vacancies should you be made redundant, by allowing reasonable time off for interviews. I would like to thank you for your hard work during this difficult period. This process is no reflection on you personally. It reflects the current adverse trading conditions that <COMPANY> is experiencing. If business improves and we are in a position to expand the workforce, we will contact you.
Yours sincerely

<name>

<Title>



Letter Sample 2 (Selection)

Personal and Confidential

<RECIPIENT NAME>

< ADDRESS 1>

<CITY>

<RECIPIENT POSTCODE>

< DATE>

Dear <RECIPIENT>

PROPOSED RESTRUCTURING OF [COMPANY]

Thank you for meeting with us on [date] to give us feedback on our proposed business restructuring. We have thought very carefully about what you had to say regarding our business proposal and the selection process we will use if we are forced to make redundancies. We particular note that:

- [Bullet point any specific things your employee[s] had to say about your business proposal and/or your selection process. For example, if your employees thought a selection process should take into account the length of service of employees you could say: “you thought length of service should be a factor in deciding what positions should be made redundant etc.].

After considering what you had to say at this meeting, we have reached the following conclusions:

- We will be forced to make [specify positions, not employees] redundant.
- We will decide which employees will be made redundant with the following selection process:

[Outline selection process, incorporating anything suggested by your employees that you want to use]

We will inform you of the results of this selection process by [date].

Yours faithfully

<Name>

<Title>



Letter Sample 3 (Notification)

Personal and Confidential

<RECIPIENT NAME>
< ADDRESS 1>
<CITY>
<RECIPIENT POSTCODE>

< DATE>

Dear <RECIPIENT>

PROPOSED RESTRUCTURING OF [COMPANY]

As you are aware from our discussions [dates], a review of the business has been conducted and [Company] management is now in a position to make a final decision.

We discussed with you the proposal and the implications of that proposal on your position should we decide to proceed with it. During the meeting we also discussed the alternatives that we had considered.

We have considered what you raised in the meeting and though our selection process we unfortunately we have found no suitable alternatives to redundancy.

Regrettably, your current position of [position title], located at [location] is superfluous to the requirements of [Company] as a result of the restructure. Please take this letter as official notice, as per our employment agreement, of your redundancy from [Company]. You are entitled to [] weeks' notice of termination under the terms of your employment agreement.

EITHER

The Company requires you to work your notice [although you will be permitted reasonable time off, at the discretion of management, to attend job interviews]. Your final day of employment will therefore be [date].

OR

You are not required to work out your notice period. The company, in accordance with the terms of your employment agreement, is electing to pay you in lieu of your notice period. Your final day of employment with the company will therefore be [date].

I ask that you return all [Company] property to me by [state date], at which time I will have your final pay ready for you to collect.

[INCLUDE IF REDUNDANCY PAYMENT MADE - As a result you will be entitled to a retrenchment package as detailed in the schedule attached. [Company] will also provide you with an outplacement program to aid in your re-employment.]



Please remain assured that these decisions were not taken lightly by [Company]. We would like to take this opportunity to acknowledge and thank you for the work that you have done over the past [insert length of service]. We wish you every success with your future endeavours.

Yours faithfully



Redundancy Process

Quick guide

This Quick Guide provides summarised information about the process an employer should follow when undertaking restructuring that may result redundancy.

INTRODUCTION

Following is a six step process that you can follow if you are considering restructuring that may result in redundancy. The key aspect of the process is consultation - considering alternatives to redundancy and considering ways of minimising the consequences arising from the loss of employment.

If an employee is made redundant you must be able to justify your actions, showing that you:

- had a genuine business reason why you no longer need the employee's position, and
- Engaged in a consultative process with the employee before making any decisions.

There are a few key principles to keep in mind.

- You must be prepared to evidence the need for the redundancy, proving that the decision was genuine and based on commercial grounds.
- It is the employee's position that is no longer required - redundancy is not about disciplining a poor performer.
- Throughout the process you must keep an open mind and not pre-determine the outcome.
- Ensure you comply with any requirements in the employee's employment agreement or house rules.
- *If you are considering making a position redundant and more than one employee performs that role, it is likely you will need to initially involve all employees who perform that role in the redundancy process (even if you are only proposing to make one employee redundant).*

The process set out below is only a guide and you are strongly encouraged to seek advice from an adviser at the Employers' Chamber before commencing any downsizing or restructuring process that may lead to redundancy. You may wish to engage one of our specialist Employment Lawyers to conduct the process for you. You can contact us by telephoning 03 366 5096 or by emailing es@cecc.org.nz.



This guide should be read in conjunction with the information contained in our 'Quick Guide to Restructuring and Redundancy', available on www.cecc.org.nz

STEP ONE – ESTABLISHING GENUINE COMMERCIAL REASON AND DETERMINING INVOLVEMENT

Identify the factors that suggest that downsizing or restructuring is necessary for, or will be beneficial to, the organisation. Determine the benefits that are to be derived from restructuring and gather information to support your position. Collate this information into a form that you can show to your employee(s) to help them understand the need for restructuring.

It is necessary to consider which employees need to be involved in the process. If there is only one employee performing a role that may be made redundant, then only that employee needs to be involved. However, if two or more employees are performing the same or similar roles, then it is likely that you will need to consult with all employees performing that role - contact us if you are unsure of who to involve.

STEP TWO – ARRANGE TO MEET WITH THE EMPLOYEE(S)

Write a letter to the employee(s) to arrange a meeting so that you can explain the proposed restructuring and the reasons behind it. The letter should:

- arrange a time and place for the meeting,
- briefly outline the reasons why you are considering restructuring/downsizing,
- inform the employee that they can have a representative or support person present at the meeting, and
- notify them of the possibility that their position may be made redundant following full consideration of the situation.

(A template letter is available from the Employers' Chamber.)

Ideally you should arrange the meeting at least 48 hours in advance. If you are conducting the meeting yourself, it strongly recommend that you have a witness present to take notes.

STEP THREE – MEET WITH THE EMPLOYEE TO EXPLAIN PROPOSED RESTRUCTURING/DOWNSIZING

(If more than one employee is involved in the process because they are performing the same role, it is permissible to conduct this meeting with all the applicable employees together at the same time - you do not need to meet with them individually at this stage.)

At the meeting explain in full:

- the reasons behind the proposed changes (show the information that you have compiled



- in step one),
- details on the proposed restructuring/downsizing (there may be more than one proposal to present),
- how work could be reorganised if you do go ahead with the proposed restructuring, and
- the effect the proposed restructuring/downsizing would have on the employee's current position(s).

Assure the employee(s) that you wish to consult with them before any decisions are made. Inform them that if viable alternatives to redundancy can be identified they will be given consideration, and invite the employee to think about the proposal(s) and put forward any alternatives or suggestions they may have.

*If you have more than one employee involved in the process because they are performing the same role, and your proposal involves the retention of one or more of those employees in their current role then, unless this aspect is dealt with in employment agreements, you should also set out a proposed selection criteria. The selection criteria is how you will decide which of the employees will be made redundant **if** redundancies do occur - for example 'last in first out' or a performance or skill based assessment. Invite employees to give feedback on the proposed selection criteria as well as the overall proposal(s).*

It is advisable to have a written outline of the proposal and related information - at least in bullet form - and to give a copy to the employee(s). This will not only assist you in ensuring that you cover off the essential material but also assist employees who may not fully take in all the information at the time - particularly if there is an element of shock or surprise.

Arrange a further meeting for the employee to make submissions/comment on your proposal after allowing a reasonable period in which to digest and consider the information. Again invite the employee to bring a representative or support person of their choice.

If you have more than one employee involved in the process because they are performing the same role, arrange to meet with them individually for the second meeting.

STEP FOUR – SECOND MEETING WITH EMPLOYEE TO HEAR EMPLOYEE'S FEEDBACK

At the second meeting allow the employee to make any comments/representations that they wish, encouraging them to say anything that they want you to take into account when making your decision. Listen with an open mind to any alternatives or suggestions that they present. Consider with the employee whether there would be any scope for redeployment in the company if the employee's current position is made redundant.

At the end of the meeting, explain that you will consider what has been said and then make a decision. Invite the employee(s) to submit any further comments/submissions in writing by a certain time.



STEP FIVE – FURTHER CONSIDERATION AND MEETING

If the employee presents any plausible suggestions then you should investigate these. It may be appropriate to have a further meeting with the employee (and their representative or support person) to discuss their suggestions.

STEP SIX – MAKE AND COMMUNICATE DECISION

Once the consultation process is complete and you have heard and considered any input provided by your employee(s), you are in a position to make a decision on what action, if any, you will take. It is crucial that you keep an open mind and do not make a decision until you reach this stage of the process.

You can initially convey your decision to the employee verbally, but if you decide to restructure and the employee's position will become redundant then you should give the employee confirmation of your decision in writing.

If more than one employee is involved in the process because they are performing the same role, and you are using a skill or performance based selection criteria to determine which employee(s) are made redundant, you should first advise employees of your decision regarding the overall restructuring. If redundancies are to take place, next inform employees of the selection criteria you will be using to determine which of them is to be made redundant and then conduct any necessary assessments. Each employee should be given a chance to comment on your findings from such assessment (as far as they relate to that individual employee) before you finalise your decisions.

A written confirmation of redundancy should include:

- the date upon which you met with the employee to present the proposed restructuring,
- the date(s) upon which you met with the employee to discuss the proposed restructuring,
- whether or not the employee elected to have a representative or support person present at meetings,
- any alternatives/suggestions that the employee raised,
- your decision,
- the affect your decision has on the employee (i.e. their position will be redundant),
- the employee's final date of employment (give notice as per the employee's employment agreement), and
- any entitlements due to the employee (e.g. a compensatory payment, a reference, counselling etc.).



Paying Staff in Natural Disasters

FAQ

Paying Your Staff

Am I obliged to pay my employees if:

The building is closed and we can't get access?

As owners we have some access but the building is yellow stickered so staff can't enter?

The building has been demolished?

This is a matter to be determined by the terms of the applicable employment agreement. Some employment agreements will contain provisions expressly dealing with situations following events such as earthquakes and may provide relief from the obligation to pay wages. The majority of employment agreements will not and it is here that the position is largely untested in recent times.

The current consensus is that, in general, employers have on-going obligations to pay wages where staff remain ready and willing to work. The disasters are clearly unusual in that some employers are unable to provide employees with work through circumstances that are beyond their control.

Where paying employees' wages is either impossible or would likely result in the complete failure of the business then you need to discuss these circumstances with your employees, ideally with a view to obtaining their agreement to taking leave without pay.

Can I require my employees to take annual leave entitlements?

In the absence of agreement, employees may be directed to take annual holidays to which they are entitled; however an employer must provide at least 14 days' notice of this requirement.

Where a 14 day period would present difficulty, then try to work with your employees to come to a mutual agreement which is then put in writing.

If an employee refuses to take annual leave on less than 14 days' notice an employer cannot require them to. Employees who do not have an annual holiday entitlement cannot be required to take holidays in advance.



Where your employees do not have any leave entitlements, or if you are unable or unwilling to agree to staff taking leave in advance, you will have to decide whether or not you have the capacity to continue paying wages.

If they do not agree to take leave without pay, then you will need to commence consultation with the employees regarding possible redundancies. You should not proceed with this without obtaining detailed advice both in relation to the process to follow and in relation to selection of the staff to potentially be made redundant.

I have no work for my employees.

If you are unable to provide your employees with work but you can pay your employees' wages for a period of time without fundamentally jeopardising the future of your business, then you should try and do so, at least in the short-term. Seek assistance firstly, through your insurance company and/or any government assistance that may become available.

Employers and employees should endeavour to be pragmatic about the situation and work together to see if there are options available during the recovery e.g. consider whether working from home is viable.

Employees and employers may agree to temporary arrangements which should be finalised in writing, that are additional to or different from their current employment agreement if they think this will be of benefit.

The Holidays Act provisions may be applicable also. An employee can take sick leave if they, their partner, or their dependents are injured or sick and the employee has sick leave available.

It may be that the employer's business is unable to keep operating and is threatened with permanent closure. In these circumstances, employers may need to consider making staff redundant. In that case it is important that employers comply with their good faith obligations – principally to consult with employees - together with any express obligations within the relevant employment agreement before decisions are made. It is important to get advice at this point including on any financial assistance that may be provided in the context of the earthquake damage.

In all situations, whether the business is likely to recover, or has to shut permanently, any changes to the employment agreement covering wage payments or redundancy need to be agreed to by both the employer and the employee before implementation.

Please contact the Canterbury Employers Chamber of Commerce advisors before acting if you are unsure.



SECTION 3 PLANNING FOR A CRISIS

INTRODUCTION

An earthquake through a central city causing more than \$2 billion in damages.

A fire at a local department store resulting in 41 deaths, a company out of business and a small town devastated.

A ferry shipwrecked in atrocious conditions caused by a tropical cyclone in the entrance to a major city harbour causing 51 deaths.

A heavy snowfall shutting down much of a region for days costing millions of dollars in damages.

Every year emergencies take their toll on business and industry — in lives and dollars. But something can be done. Business and industry can limit injuries and damages and return more quickly to normal operations if they plan ahead.

No plan can be perfect. However, preparation can reduce your risks and position your business to better resist the devastating ramifications of a business interruption. This guide, and our other materials and resources, can help facilitate that process.

Safeguarding Your Investment

You've invested significant time and resources into making your business work. You have a dedicated customer base, a good reputation for paying your suppliers and for providing goods and services quickly and efficiently.

Now imagine all you have worked to create literally goes up in flames. Or that your business is hit by a flash flood or an interior pipe breaks, leaving valuable electronics and client records ruined by water damage. If an earthquake hits, would you be able to pick up the pieces? The threat of these and other natural disasters leave you vulnerable to having all of your efforts simply 'blown away'.

Images of devastation left behind by severe weather events are difficult to ignore. Still, many people have difficulty believing it can happen to them. Every year, rivers spill their banks, high winds tear way roofs and power outages leave communities in the dark. It pays to know the risks facing your community.

Some risks are obvious, such as the threats of earthquakes and high winds in Canterbury. Did you know the central city would be at risk from a Tsunami as it is positioned below sea level?

And wildfires can strike anywhere. Worse still is the prediction of escalating fire-related losses as the population increasingly moves into forested or bush areas. Weather patterns, like gusty winds and wind-driven rain from tropical storms can have an effect on communities and while Canterbury hasn't experienced damaging hurricanes, the possibility is there.

It also pays to understand the important role maintenance plays in keeping a business operating. But even the most diligent business owner can open the door to find that a burst pipe—caused by freezing weather or simply failure—has destroyed or damaged valuable inventory and the interior of the building. Disasters of all types can threaten businesses regardless of location. By following the



recommendations in this guide, you can improve the chances of avoiding a closure that will cost both time and money. You will also increase the odds of staying in business should the worst happen.

Self-Assessment

Are you concerned that your normal business operations might be interrupted by a natural or human-caused disaster? Yes No Unsure

Have you determined what parts of your business need to be operational as soon as possible following a disaster, and planned how to resume those operations? Yes No Unsure

Do you have a disaster response plan in place to help assure your employees' safety and take care of yourselves until help can arrive? Yes No Unsure

Could you communicate with your employees if a disaster happened during work hours or after work hours? Yes No Unsure

Can your building withstand the impact of a natural disaster, and are your contents and inventory sufficiently protected so they will not be damaged? Yes No Unsure

Are your vital records protected from the harm that could be caused by a disaster? Yes No Unsure

Are you prepared to stay open for business if your suppliers cannot deliver, your markets are inaccessible, or basic needs (e.g. water, sewer, electricity, transportation) are unavailable? Yes No Unsure

Do you have plans to stay open for business, even if you cannot stay in or reach your primary place of business? Yes No Unsure

Have you worked with your community (public officials and other businesses) to promote disaster preparedness and plan for community recovery? Yes No Unsure

Have you consulted with an insurance professional to determine if your insurance cover is adequate to help you get back in business following a disaster? Yes No Unsure

Self-Assessment Results

Your score indicates how well prepared you are for the disruption caused by a natural or human-caused disaster.

7 – 10 Yes: You are well on your way.

4 – 6 Yes: You have lots of work to do.

1 – 3 Yes: You should get started immediately.



Business Continuity Plan

Getting Started

- Create a business continuity plan to resume essential business operations.
- Evaluate the exposure of your building and contents to damage caused by natural hazard events.

What Your Plan Will Include

The business continuity plan is composed of a variety of key sections such as contact information, business operations and office setup. The information you record will help you recover your essential business functions and inform individual employees about their responsibilities.

Property Protection Plan

Our property protection checklist [available on www.cecc.org.nz] focuses on the natural hazards of wind [hurricanes, high winds, tornado/hail], flood, earthquake, freezing weather and wildfire. It covers the building structure, the building interior and exterior components and surroundings. Whether you own or lease your building or office space, you can use the checklist as a guide to make decisions about where you will rent or buy property, and how you expect it to be maintained or improved/updated.

Choose Your Team

Before you proceed, decide who is responsible for the development, maintenance, updates and testing of your plans. Also, decide if you would like others to work with you.

- If you are a one-person operation or have a couple of employees, you may choose to do the plan yourself.
- If you have more than 10 employees, you may want to form a team, perhaps with representatives from each department.

Others who might help you with your plan are your accountant, a lawyer, payroll company or financial manager, human resources person or other individuals and companies that are knowledgeable about your business.

If you decide to create a business continuity plan for each department, be sure your team meets to discuss, coordinate and reach consensus on a company-wide plan. Or designate one person to review the combined plans for consistency and duplication of content. However you decide to organise your team, the most important thing you can do is to compile the necessary information. Then you can resolve any overlaps in the plan.

Select someone knowledgeable about the building characteristics to complete the property protection checklist.

How to Protect Your Assets

It is critically important to protect your base assets—your place of business, your contents and inventory, and/or your production processes—with adequate insurance.



Review your current policy with your broker. Some policies do not cover flood or earthquake damage and you may need to buy separate insurance for them. Be sure you understand your policy deductibles and limits.

Consider *business interruption* and *extra expense* insurance. Even if you have to close your doors for only a few days, the impact on your revenue and net income can be substantial. Don't assume your business will snap back to its previous revenue level as soon as you reopen.

While you are closed to customers, they will go elsewhere and they may take their time finding their way back to you again. And as your revenue decreases, you will have both on-going and new expenses. That combination can be impossible to handle without business interruption and extra expense coverage.

Your insurance broker will work with you or your accountant to estimate your projected revenues and expenses calculate anticipated income and then determine the potential losses from a temporary closure.

Even if your basic policy covers expenses and loss of net business income, it may not cover income interruptions due to damage that occurs away from your premises, such as to your key customer or supplier or to your utility company. You can generally buy this additional coverage (contingent business interruption insurance) and add it to your existing policy.

Although insurance can help protect your assets, it alone cannot assure the post event viability of your business. Without a pre-defined plan to protect people and property, and to resume business operations in the larger community context, most organisations find it very difficult to survive a business outage.

Protecting Your Critical Resources

When you think about the impact natural or human-caused disasters can have on your business, consider your most important resources:

- **Human Resources**

If you are the sole proprietor of your business, then you obviously need to protect yourself and your customers from possible injury in the event a disaster occurs. In small and mid-sized businesses, you need to protect your employees and customers from injury on your premises. You also have to consider the possible impact a disaster will have on your employees' ability to return to work and how your customers can reach you or receive your goods and/or services.

- **Physical Resources**

Whether you own or rent the building that houses your business, you and/or your building manager should inspect the physical plant(s) and assess the impact a natural disaster would have on your facilities. If your business operates in an older building, consider having it evaluated by a professional engineer. An engineer's recommendations will help you safeguard your building from potential hazards. Keep in mind that an ideal time to make improvements is during a major addition or renovation.



Whether you are planning to remodel your existing business or build an entirely new business, make sure your plans conform to local building code requirements. These codes reflect the lessons experts have learned from past catastrophes. Contact your local building code official at the council to find out what is required for your project.

If you do not own the building that houses your business, this is still important information for you to keep in mind if you are relocating to a new business or expanding your business operations. The building's physical condition and how it will survive a natural disaster could have an impact on your ability to keep your business open following an incident.

- **Business Continuity**

Even if your business escapes a disaster unharmed and your employees are not hurt, there is still a risk that the business will suffer significantly in the form of **upstream** and **downstream** losses.

When some local businesses fail, there is a chain reaction because of the negative impact on the local economy.

Upstream losses are those you will suffer when one of your suppliers is affected by the disaster and cannot deliver the goods or services your business needs. Most businesses depend on daily deliveries, such as bread to a restaurant or machine parts to a manufacturer. If the supplier's building is damaged by the disaster and he cannot keep up his pre-disaster schedule, this upstream loss will affect your firm, even if you are undamaged.

Downstream losses occur when a key customer and/or the lives of residents in your community are affected by a disaster. For example, if everyone in town is digging mud out of buildings and cleaning up debris after a flood, a theatre isn't likely to have many customers.

If supplying a component to a large factory is a major source of your firm's cash flow and that factory is closed by earthquake damage, your business will suffer a downstream loss even if it escaped unscathed from the disaster itself.

Developing Your Business Continuity Plan

A small investment of time could go a long way toward averting a serious disruption caused by a natural or human-caused disaster.

Even the best-designed and well maintained buildings can be damaged, forcing a business closure. And even if a building sustains no damage, a major hurricane, earthquake or other catastrophic event can close roads, cause power outages or create other problems that force a business to close. This is why every business needs a continuity plan to get up and running as quickly as possible in the event disaster strikes.

Critical business functions are those that are crucial to your survival and to resumption of business operations.

As an employer, you want to know who to contact should any of your employees become injured or fall sick on the job. This information is equally important for notification of their families if your employees cannot leave the workplace following a disaster. With this information, you will also be able to contact



employees at all times to inform them about the status of the business operations, where to report and what to do following a disaster.

Designate 'jobs' to staff or to the recovery team, with the first person responsible for the phone list and any distribution of responsibility to fellow employees.

Since your business cannot resume operations unless employees are able to return to work, you might want to consider:

- Alternate forms of transportation for employees (e.g. carpooling)—determine if any employee has four-wheel drive or a van that could be used;
- Provision of emergency housing for displaced employees;
- Addressing immediate needs of your employees, including short-term financial aid;
- Childcare at your primary or alternate site (be sure to plan ahead with public officials to meet any regulatory requirements).

Payroll continuity is key to continued loyalty of your employees. It helps them handle disaster-related problems at home and meet their personal financial obligations. You may want to establish a companywide policy for:

- Direct deposit of pay and/or salaries for all employees;
- Overtime pay during disaster;
- One week's pay (or other amount) even if your business is not operational.

Plan ahead if you know you will have to deal with security/access issues for your primary or alternate site. If employees need badges or security clearances, be prepared to provide them. If your employees need special licenses for their work, e.g. to move or operate equipment, be sure you have a system in place to obtain or replace them.

Meet with your employees at least once a year to review emergency plans and to share information on disaster preparedness and protection at home. This can be part of your normal Health & Safety checks and drills and at new staff inductions. Find out if any of them has certification for first aid certificate, CPR or is a first aider. All of these skills could be useful in emergencies.

N.B. think about supplying employees with a wallet card detailing instructions on how to get company information in an emergency situation, including telephone numbers for easy reference.

Vendors and Suppliers

Disaster-induced operational problems are not always connected to property damage. They include disruptions in the flow of supplies and in the ability to ship those goods or deliver services.

Your ability to resume operations relies on the ability of your suppliers to deliver what you need on time.

To encourage the continuity of the supply chain, there are several things you can do:

- Be sure your principal suppliers, or alternate suppliers, are not all in the same geographical location as you
- Ensure that your pre-qualified, critical suppliers of services and materials will be available to you when you need them. This could include requesting or requiring that a critical supplier has a



mutual aid agreement in place with a similar company to fulfil its commitments, should its normal business functions be interrupted.

- Establish a notification list and procedures for notification. Take care of credit checks, purchase accounts and other vendor requirements in advance so the vendor can ship replacements immediately.
- Have back-up vendors and shippers in place in case your primary ones are disabled.
- Establish relationships in advance and maintain them.
- Place periodic orders so they consider you an active customer when you need them.
- List suppliers/vendors you can use for your miscellaneous needs at a recovery location, such as office supplies, file cabinets, office furniture, etc.

Require, or encourage, your suppliers to have business continuity plans. You may want to audit them yourself to ensure they are current.

Key Contacts

Key contacts consist of those you rely on for administration of your business, such as your bank, your creditors, your insurance broker, accountant, etc.

They also include services in the community you need to help you resume operations, such as utilities, emergency responders, emergency medical help, media outlets, business partners and business organisations.

You should have a well-established liaison with local authorities, utilities and other service providers before disaster strikes. The effectiveness of this liaison may be enhanced if a business group coordinates it for multiple businesses.

Your key customers are an essential part of this list as your economic recovery depends on keeping your customers or clients, or adapting to the changed environment to establish new customers.

You need to determine:

- What happened to my customers/clients?
- Were they affected by the disaster?
- Will their buying habits change? Your product or service may be a discretionary purchase or not essential at the time.

If you cannot meet your customers' needs due to your own business interruption, or if they can easily replace your product or service elsewhere, you may lose customers or clients. This highlights the importance of communication before a disaster to build customer loyalty and to inform them about your preparedness for a disaster.

After an event, it is important to keep customers or clients informed about the status of their product or service, delivery schedules, etc., or to develop mutually agreeable alternative arrangements.

Communication

You may choose various ways to communicate with your key customers after a disaster, depending on what modes of communication are available. These include, but are not limited to: direct telephone



calls; a pre-arranged 0800 number for incoming calls; e-mail; announcements by radio or through a newspaper; signage at your premises..

Whatever the cause of your business interruption, your ability to address the consequences could make the difference between survival and closure.

You need to determine the maximum length of time that your business can tolerate being down after a disaster occurs. To help get you started, the following are some key questions to ask yourself:

- What are my most critical and time-sensitive business functions?
- Which functions would I classify as highest priorities? Medium priorities? Lowest priorities?
- How much downtime can I tolerate for each business function?
- Which business functions are necessary to fulfil my legal and financial obligations and to maintain cash flow?
- Which business functions are essential to maintain my market share and reputation, or to strategically adjust to changed circumstances?

Some time-sensitive and critical business functions:

Administrative functions:

- Recovery location set-up
- Payroll
- Insurance claims (filing your claim, following up). Keep your insurance company details off-site as well as at the place of work
- Regulatory requirements (e.g. time-sensitive reports)
- Debt obligations (bills due)
- Accounts receivable
- Communications
 - Internal (e.g. with employees and Board of Directors)
 - External (e.g. with suppliers/vendors and key contacts such as media, customers)

What is your core business?

What are the time sensitive and critical business functions that are specific to your business?

Another way to think about your key business functions is to ask yourself, “What if I lose or do not have access to my. . .”

- Business/buildings
- Contents/inventory
- People (employees, customers/clients)
- Vital records
- Equipment
- Utilities
- Support systems (computers/networks, communications, transportation)
- Suppliers

What would be the consequences of the loss of any of these resources? What are your alternatives to help you remain viable?



Recovery Location

Ask yourself whether you could recover from an alternate site, or even out of your home temporarily, establish a mutual aid agreement with a similar business, or rent available space at another location if your business location is unusable or inaccessible.

Do you have other facilities or branch offices where you could resume some or all of your operations?

What arrangements will you have to make ahead of time to utilise one or more of these locations?

If you are location dependent, do you plan on resuming operations as soon as possible from your primary site?

As you select your recovery location:

- Consider a site that is not on the same electric power grid if possible.
- Factor in the ability of your vendors/suppliers or rental companies to quickly transport critical items such as computers, inventory and equipment to your recovery location.
- Keep an extra of any hard-to-replace parts or essential supplies on hand, and consider storing them in a place that is not vulnerable to the same disaster as your primary business.
- Work with vendors/suppliers in advance to assure a secure and adequate supply of what you will need.

If you hope to retrieve items from or recover at your primary location, plan ahead for any special security/access control procedures, such as badging. Leave keys and alarm code(s) with a trusted employee or friend, in case you may not be able to get to your business quickly after an emergency.

If your business site suffers damage, you may need to contact an industrial clean-up service and/or a security service to protect your property. Be sure to consult with your insurance agent about proper steps and documentation requirements.

If you rent your primary location space, review your lease for disaster provisions, including who is responsible for what in case of damage from a natural disaster. You may want to add a clause that allows you to get out of the lease in 30, 60 or 90 days if damage is not repaired satisfactorily to the leased property or to adjoining properties on which you count to bring business to you.

Note: If you have not secured a recovery location at the time you are starting to develop this business continuity plan, continue on with the planning process. You can still select which staff will be assigned to the recovery location and which business functions will be performed there, and then when you have finalised all arrangements for the recovery site, choose the location.

Vital Records

Your business cannot operate without its vital records and critical information. The following questions may help you determine what records need to be backed up on one or more 'media' and maintained off site and/or in storage:

- Is the record required for business success?
- Is it required for legal reasons?
- Is it required by a regulatory agency?
- Is it required to support recovery efforts?



If you answered YES to any of the above, then answer the following:

- Is it impossible to re-create?
- Are copies unavailable at a remote location?

If you answered YES to either one of the last two questions, consider the record vital. It should be duplicated and included in recovery inventories.

If you answered NO to all of the above, then the record is not considered vital and it is not necessary to include it in recovery inventories.

Examples of vital records include employee data, payroll, financial records, strategic plans, production records, customer/client/patient lists, inventory lists, building plans/blueprints, the lease, insurance records, and research data. You can determine which of these records are necessary to continue performing the critical business functions you have identified.

You will likely identify other vital records that are particularly critical to your business' survival. Store a copy of all vital information on site and a second in a safe off-site location (some experts recommend at least 50 miles away).

Make it a critical part of your routine to regularly back up your vital records and other information upon which your company's success depends. Keep your inventory list current and make a photographic or video record of your inventory.

You should list all critical phone and fax lines, enter what each is used for, and think about whether it is essential that this number be continuously available. Then, select a solution for how to keep the number operational or decide on an alternative to meet the need. Consider listing all these critical numbers in your mobile phone or Personal Digital Assistant (PDA) so you have them readily available.

Be sure also to inform your employees of any changed procedures.

Critical Communications

Seamless communications with your employees, suppliers/vendors, key contacts and customers following a disaster is important to your survival and continuing viability. Telephone and fax lines are one means of maintaining this communication link.

Information

Your employees will want to get updated information about when and where they should report to work and the status of recovery. You could set up a special number for them to call to receive instructions by way of recorded message. You could also enlist the help of a contact person/company for employees to leave an "I'm okay" message and their contact information.

You also will need these phone and fax numbers so you can communicate with your suppliers/vendors, key contacts and customers, to keep them informed about your status and future plans. One solution is to plan ahead to have your telecommunications service provider reroute your telephone and fax numbers to your recovery site.



If you need a phone number for dial-up internet and e-mail access, be sure to include that. Also think about alternative forms of communication should phones not be working, especially to keep in touch with your employees. In anticipation of a break in all phone service, including cell phones, you might invest in some simple two-way radios and pagers.

Another alternative is to have designated people meet at a prearranged location, assuming it is accessible.

Critical Supplies

Critical supplies include items that are necessary to keep equipment or work processes functioning, e.g. special fluid for a machine, forms, and checks. Be sure to list all information that is pertinent to order each supply, such as an order number.

Plan ahead with your vendors to determine costs and delivery times for these essential items and parts. Include sufficient space at your recovery site for storage.

In addition, consider storing some essential supplies (particularly those items needed to fulfil a critical business function) in an accessible place outside your building in case you need them immediately and cannot re-enter your building after evacuating it.

Note: Do not include office supplies, e.g. paper, mail bins, filing cabinets and other items needed for a recovery location.

You should explore rental options to replace damaged equipment or machinery during the time it is being repaired or replaced and request written estimates of rental, set-up, shipping costs and delivery times. This is particularly important if you rely on equipment that is highly specialised or difficult to replace.

Don't forget your cars/trucks. Plan to protect them, but also have alternate plans to meet your essential transportation needs.

Consider special protection for key tools or small equipment, such as storage in foam-padded containers when not in use, preventing damage by accident or during an earthquake. Additional protection for larger valuable, hard-to-replace equipment or machinery is also advisable.

Check your contents insurance to determine whether it covers the replacement cost of critical equipment or machinery.

Computer equipment and software

Business interruption—the result of a natural disaster, power outage, cyber-crime, or any other cause—can be devastating. Without access to data and information, business operations can come to a standstill. You might want to consider the services of a data centre or business IT service, where your data is backed up on a regular basis and available to you if your normal business operations are interrupted.



Most businesses are dependent on computers, utilising desktop and laptop computers and computer networks. Most communicate with or conduct business with their vendors, customers, partners and clients through the internet. E-business is a rapidly growing segment of the economy. If your company does the majority of its work online, be sure your computer security is current including website backups.

If you go to a recovery location, it is likely you will need to lease or purchase computer equipment and replace your software.

When there is sufficient warning about an event, such as a hurricane, you might decide to move some of your computer equipment and software to a safe place so that it can be utilised at your recovery location. In addition, you could require that all employees take their laptops with them, in order to provide the option to work from home or at a recovery location.

Some disasters occur without warning, though, so you want to be sure you have alternatives available.

Other reminders:

- Consider using a business IT service to manage your data offsite.
- Keep a backup copy of your computer's basic operating system, boot files, and critical software, and be sure you have copies of your operations manuals.
- Maintain an up-to-date copy of computer and Internet logon codes and passwords.
- Make arrangements with computer vendors to quickly replace damaged vital hardware and software, and/or to coordinate the set-up of hardware and software at your recovery location.
- Request written estimates for rental or purchase of equipment, shipping costs and delivery times, if relevant. Be sure to list these companies in your suppliers/vendors form as either primary or alternate vendors.
- Elevate computer equipment normally stored on the floor, e.g. CPUs, and secure in place when flooding is a possibility.

Remember that you should always keep your computer hardware and software licenses up-to-date.

Do your employees know about your emergency plans?

Meet with your employees at least once a year to review emergency plans. Make sure they know how to evacuate the building safely in an emergency and how to protect themselves and your customers in case of an earthquake or other disaster. Consider providing First Aid, CPR and other emergency training for your employees.

Also do mock disaster drills. In addition to ensuring that employees know how to safely evacuate the building, make sure they know where to meet, who to report to, when to leave the designated meeting place, and how or where to make contact should they fail to get to the meeting place. List emergency phone numbers such as fire department, police department, ambulance service, and emergency management agency in a highly visible place, such as in the company or employee induction manual and on posters/noticeboards.

Are your employees prepared at home?

Your employees are your most important asset. However, they will not be able to return to work to help your business resume operations unless their family needs have been met. Encourage employees to develop and exercise family disaster preparedness plans.



Provide information to employees on how to protect their property and contents/possessions. Be aware that some employees may have civil defence or volunteer fire brigade /ambulance responsibilities which may prevent them from getting to work.

Security

Security for your business should be built in layers, it should be appropriate for the location and type of business and it should be in the form of a written plan.

Protecting your business can be one action, such as putting the entire company under a 20-foot concrete bunker. This may have its place, but wouldn't typically be the best strategy.

Think about using layers of protection. This means using many smaller actions that taken together provide adequate security for the business being protected. Depending on the reasons or the skills of someone attempting to enter your business, multiple barriers may cause them to give up or slow them down so they are caught before they can infiltrate and cause damage or carry out any other plans.

Each business has unique risks that the vulnerability assessment will define and the security plan will take into account. Manufacturing or service industry, office building, malls, warehouse or even home-based businesses all have security needs. No-one is going to tell you what to do. What you need to do and what you will do will be determined by you and the examination of your specific risks, threat potential or likelihood and resources available.

Establish a Planning Team

There must be an individual or group in charge of developing the emergency management plan. Below is a list of essential points you will need to think about when establishing a planning team.

The planning team usually involves a group of people because:

- It encourages participation and gets more people invested in the process.
- It increases the total amount of time and energy participants are able to give.
- It enhances the visibility and stature of the planning process.
- It provides for a broad perspective on the issues.

Determine who can be an active member and who can serve in an advisory capacity. In most cases, one or two people will be doing the bulk of the work. At the very least, you should obtain input from all functional areas.

Remember:

- Upper management
- Line management
- Human Resources
- Engineering and maintenance
- Safety, health and environmental affairs
- Communications and media
- Security
- Sales and marketing
- Legal



- Finance and purchasing
- Community authorities
- Employees

Have participants appointed in writing by upper management if it is appropriate. Their job descriptions could also reflect this assignment.

Review Internal Plans and Policies

Documents to look for include:

- Evacuation plan
- Fire protection plan
- Safety and health program
- Environmental policies
- Security procedures
- Financial plan
- Insurance programs
- Finance and purchasing procedures
- Plant closing policy
- Employee manuals
- Hazardous materials plan
- Process safety assessment
- Risk management plan

Meet with Outside Groups

Meet with government agencies, community organisations and utilities. Ask about potential emergencies and about plans and available resources for responding to them. Sources of information include:

- Civil Defence or your local community emergency management office
- Local City Councils
- Fire Service
- Police
- Emergency medical services organisations
- NZ Red Cross
- Mayor's office
- Telephone companies
- Electric utilities
- National weather service
- Neighbouring businesses

Identify Critical Products, Services and Operations

You'll need this information to assess the impact of potential emergencies and to determine the need for backup systems. Areas to review include:

- Company products and services and the facilities and equipment needed to produce them
- Products and services provided by suppliers, especially sole source vendors



- Lifeline services such as electrical power, water, sewer, gas, telecommunications and transportation
- Operations, equipment and personnel vital to the continued functioning of the business

One way to increase response capabilities is to identify employee skills (medical, engineering, communications, foreign language) that might be needed in an emergency.

Identify Internal Resources and Capabilities

Resources and capabilities that could be needed in an emergency include:

- Personnel — fire brigade, hazardous materials response team, emergency medical services, security, emergency management group, evacuation team, public information officer
- Equipment — fire protection and suppression equipment, communications equipment, first aid supplies, emergency supplies, warning systems, emergency power equipment, decontamination equipment
- Facilities — emergency operating centre, media briefing area, shelter areas, first-aid stations, sanitation facilities
- Organizational capabilities — training, evacuation plan, employee support system
- Backup systems — arrangements with other facilities to provide for:
 - Payroll
 - Communications
 - Production
 - Customer services
 - Shipping and receiving
 - Information systems support
 - Emergency power
 - Recovery support

Identify External Resources

There are many external resources that could be needed in an emergency. In some cases, formal agreements may be necessary to define the businesses' relationship with the following:

- Local emergency management office
- Fire service
- Hazardous materials response organisation
- Emergency medical services
- Hospitals
- Local police
- Community service organisations
- Utilities
- Contractors
- Suppliers of emergency
- Insurance carriers

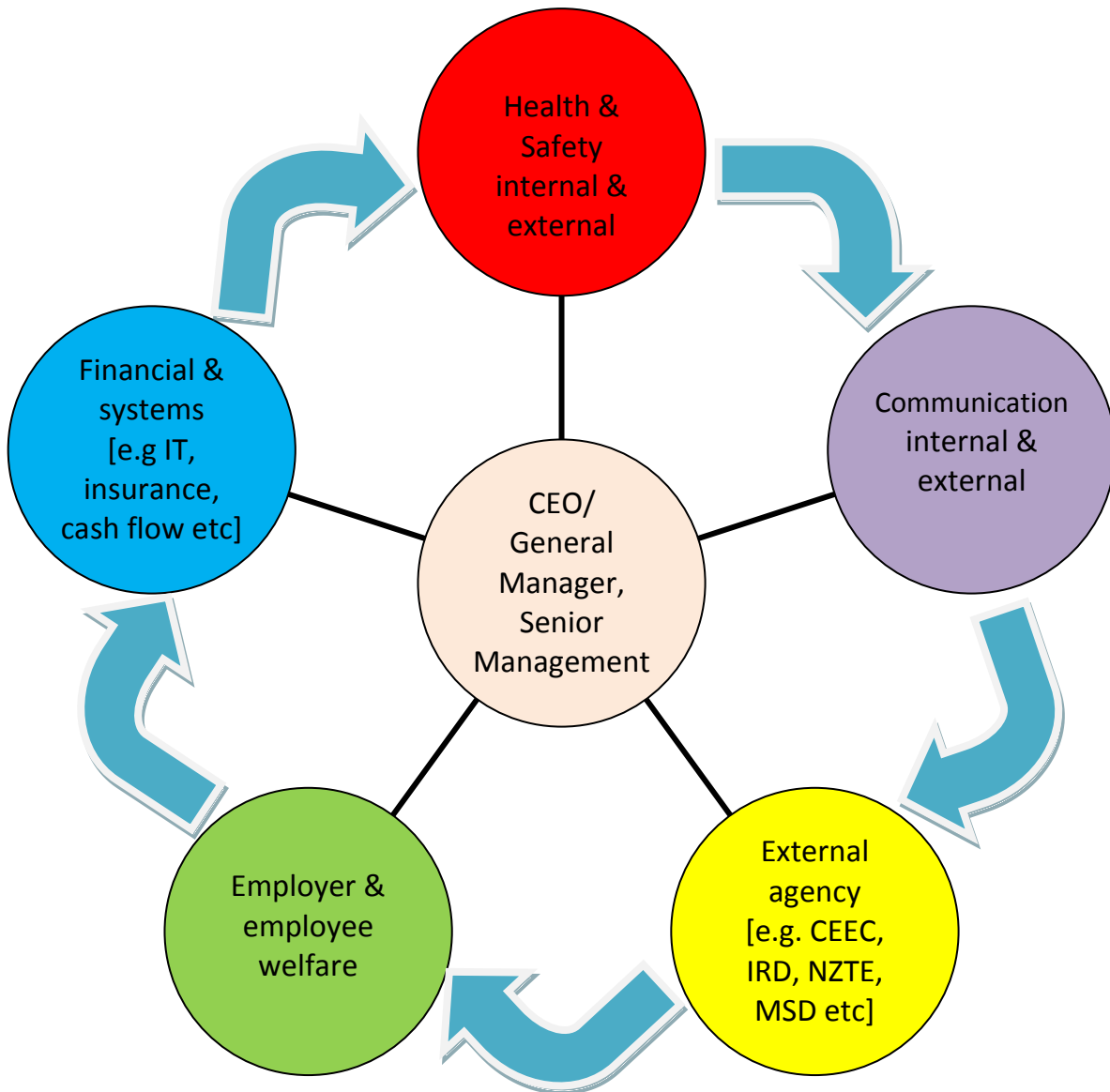
Conduct an Insurance Review

Meet with insurance companies or brokers to review all policies.



Example of a PLANNING TEAM.

Each Planning team needs to cover all functional areas that could be impacted following a crisis and an outside agency for objective advisory.



Assessing how vulnerable you are

The next step is to assess the vulnerability of your organisation — the probability and potential impact of each emergency. Consider assigning probabilities, estimating impact and assessing resources.

List Potential Emergencies

Consider all emergencies that could affect your business, including those identified by your local emergency management office. Consider both:

- Emergencies that could occur within your organisation
- Emergencies that could occur in your community

Below are some other factors to consider.

Historical — what types of emergencies have occurred in the community, at this organisation and at other businesses in the area?

- Fires
- Severe weather
- Hazardous material spills
- Transportation accidents
- Earthquakes
- Hurricanes
- Tornadoes
- Terrorism
- Utility outages

Geographic — what can happen as a result of your organisation's location? Keep in mind:

- Proximity to rivers, flood plains, seismic faults and dams
- Proximity to companies that produce, store, use or transport hazardous materials
- Proximity to major transportation routes and airports
- Proximity to electrical power plants

Technological — what could result from a process or system failure? Possibilities include:

- Fire, explosion, hazardous materials incident
- Safety system failure
- Telecommunications failure
- Computer system failure
- Power failure
- Heating/cooling system failure
- Emergency notification system failure

Human Error — what emergencies can be caused by employee error?

Are employees trained to work safely?

Do they know what to do in an emergency?

Human error is the single largest cause of workplace emergencies and can result from:

- Poor training
- Poor maintenance
- Carelessness and fatigue
- Misconduct



- Substance abuse

Physical — what types of emergencies could result from the design or construction of the business?

Does the physical business enhance safety?

Consider:

- The physical construction of the business
- Hazardous processes or by-products
- Facilities for storing combustibles
- Layout of equipment
- Lighting
- Evacuation routes and exits
- Proximity of shelter areas

Regulatory — what emergencies or hazards are you regulated to deal with? Analyse each potential emergency from beginning to end. Consider what could happen as a result of:

- Prohibited access to the building
- Loss of electric power
- Communication lines down
- Ruptured gas mains
- Water damage
- Smoke damage
- Structural damage
- Air or water contamination
- Explosion
- Building collapse
- Trapped persons
- Chemical release

Consider the potential property impact

Consider the potential costs for losses and damages such as:

- Cost to replace
- Cost to set up temporary replacement
- Cost to repair

Consider the potential business impact

Consider the potential loss of market share and the impact of:

- Business interruption
- Employees unable to report to work
- Customers unable to reach business
- Company in violation of contractual agreements
- Imposition of fines and penalties or legal costs
- Interruption of critical supplies
- Interruption of product distribution

Assess Internal and External Resources

Next assess your resources and ability to respond consider each potential emergency from beginning to end and each resource that would be needed to respond. For each emergency ask these questions:

- Do we have the needed resources and capabilities to respond?



- Will external resources be able to respond to us for this emergency as quickly as we may need them, or will they have other priority areas to serve?

If the answers are no, identify what can be done to correct the problem. For example, you may need to:

- Develop additional emergency procedures
- Conduct additional training
- Acquire additional equipment
- Establish mutual aid agreements
- Establish agreements with specialized contractors

Documenting your plan

Your plan should include the following basic components.

Executive Summary

The executive summary gives management a brief overview of:

- The purpose of the plan
- The business' emergency management policy
- Authorities and responsibilities of key personnel
- The types of emergencies that could occur
- Where response operations will be managed
- Emergency management elements

This section of the plan briefly describes the business' approach to the core elements of emergency management, which are:

- Direction and control
- Communications
- Life safety
- Property protection
- Community outreach
- Recovery and restoration
- Administration and logistics

These elements are the foundation for the emergency procedures that your business will follow to protect personnel and equipment and resume operations.

Emergency Response Procedures

The procedures spell out how the business will respond to emergencies. Whenever possible, develop them as a series of checklists that can be quickly accessed by senior management, department heads, response personnel and employees. Determine what actions would be necessary to:

- Assess the situation
- Protect employees, customers, visitors, equipment, vital records and other assets, particularly during the first three days
- Get the business back up and running

Specific procedures might be needed for any number of situations such as bomb threats or extreme weather, and for such functions as:

- Warning employees and customers



- Communicating with personnel and community responders
- Conducting an evacuation and accounting for all persons in the business
- Managing response activities
- Activating and operating an emergency operations centre
- Fighting fires
- Shutting down operations
- Protecting vital records
- Restoring operations

Support Documents

Documents that could be needed in an emergency include:

Emergency call lists — lists of all persons on and off site who would be involved in responding to an emergency, their responsibilities and their 24- hour telephone numbers

As a building owner you should consider: **Building and site maps** that indicate:

- Utility shutoffs
- Water hydrants
- Water main valves
- Water lines
- Gas main valves
- Gas lines
- Electrical cut offs
- Electrical substations
- Storm drains
- Sewer lines
- Location of each building [include name of building, street name and number]
- Floor plans
- Alarms and security
- Fire extinguishers
- Fire suppression systems
- Exits
- Stairways
- Designated escape routes
- Restricted areas
- Hazardous materials (including cleaning supplies and chemicals)
- High-value items

Resource lists — lists of major resources (equipment, supplies, services) that could be needed in an emergency; mutual aid agreements with other companies and government agencies

Identify Challenges and Prioritise Activities

Determine specific goals and milestones. Make a list of tasks to be performed, by whom and when. Determine how you will address the problem areas and resource shortfalls that were identified in the vulnerability analysis.



Write the plan by assigning each member of the planning group a section to write.

Determine the most appropriate format for each section.

Establish an aggressive timeline with specific goals. Provide enough time for completion of work, but not so much as to allow assignments to linger.

Establish a Training Schedule

Have one person or department responsible for developing a training schedule for your organisation.

Coordinate with outside organisations meet periodically with local government agencies and community organisations. Inform appropriate government agencies that you are creating an emergency management plan. While their official approval may not be required, they will likely have valuable insights and information to offer.

Determine national and local requirements for reporting emergencies, and incorporate them into your procedures. Determine protocols for turning control of a response over to outside agencies. Some details that may need to be worked out are:

- Which gate or entrance will responding units use?
- Where and to whom will they report?
- How will they be identified?
- How will business personnel communicate with outside responders?
- Who will be in charge of response activities?

Determine what kind of identification authorities will require to allow your key personnel into your business during an emergency.

Summary

While this may seem like an excessive planning process, but if all of this is in place effectively, when a disaster of any nature occurs you will have the framework to maintain your business as usual.

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Protecting Your Digital Business

Quick Guide

Protecting your Digital Business

Businesses these days rely very much on electronic data for general records, accounts, inventories, communications etc. We always need it, and we always expect it to be available. The inability to access this data, or worse yet, the loss if it, is at best a nuisance, and can have a devastating effect on a business. Protecting your business from potential loss is therefore important.

Ways to protect your digital business data in a disaster

Most businesses today use computers as part of their day-to-day business. We communicate via email, use software for accounting, payroll and inventory control, and capture customer details in electronic databases.

What we need to remember is that the value of what is stored on computers, i.e. our digital assets, rapidly exceeds the value of the actual computer and additional hardware.

Digital assets are any property in digital form that adds value to your business. For example:

- Customer databases used for invoicing, contact management and direct marketing
- Templates of frequently used documents, such as letters, invoices, statements
- Scripts for direct marketing and other purposes
- Information and editorial assets, such as customer profiles and company brochures
- Accounting, spreadsheets, payroll, point-of-sale and inventory software
- Your website codes, graphics and other elements
- Archived files and email correspondence
- All other business assets and accumulated knowledge stored digitally on computers or servers
- All installed software plus the special settings and modifications made to your systems to run these programs satisfactorily.

The total value of these assets is what it would cost you if you lost them through a disaster. The importance of protecting these assets then becomes obvious, especially if you ask yourself:

- How long would it take to get your business up and running again?
- What will the loss of business cost you?



Why protect?

When it comes to protecting the physical assets of a business, many companies and private professionals have insurance to cover themselves personally and their businesses assets. But here's an important question - What are you doing as a business owner to protect one of your most valuable assets – the information stored on your computer?

Think about it: new clients are being added to your records every day, or additional inventory arrives on a regular schedule. All kinds of important records change every day, including financial records, customer files and more.

Loss of all data

Losing all your data is the most devastating but also the most straightforward threat to cope with.

Windows-based computers store all information in one central folder to hold 'User Data'. User Data is everything that you create and store on your computer, from a document you typed, pictures transferred from your digital camera, or a song downloaded from an online store.

By arranging daily backups of all new documents (your user data) and weekly backups of your entire system you will be able to recover everything that has been backed up. Your back up process should form part of your disaster-recovery plan.

The backup can be automated or done manually, using a variety of storage devices such as tapes, CD-ROMs or USB storage devices. The important point is to store your backups offsite. There are companies that specifically offer facilities to store your backups in extra secure premises.

You also need to test the backup to ensure it works and you can restore everything.

So by protecting your digital business by backing up and storing offsite, you can save time, money and stress when getting your business back up and running.

Tip: Once you have more than two or three computers in your business, consider installing a central server. Storing all company data on a central server rather than scattered throughout the business on individual PCs or laptops, makes the control and safekeeping of your digital assets much simpler.

Do you know how long it would take to recover from a disaster and have your servers back up and running again or how much it would cost you?

Disaster Recovery and Business Continuity services ensure that a technical melt down or environmental catastrophe does not prove to be a disaster for your business. By using a managed service IT company in the event of a disaster, your server can be up and running in as short as time as possible.



Types of Insurance

Quick Guide

Types of Insurance

This quick guide is designed to assist you in knowing the types of insurance that are available to businesses.

Introduction

Business insurance, also known as *commercial insurance* or *liability insurance* is vitally important for the business survival and continuity. It protects you from the financial consequences of any accidents or law suits that may occur during your day to day business activities, and natural disasters. Many businesses rely on insurance to reduce the risk of crippling expenses should the business suffer significant damage or loss. Most business insurance policies are customised to suit the needs of the individual business.

Commercial insurance generally covers:

- **Material (asset) damage** - buildings, stock and plant, and equipment to cover against loss or damage.
- **Motor vehicle** – covering company cars/vehicles regardless of how many vehicles.
- **Liabilities** – there are many policies available, offering different levels of coverage - e.g. public liability insurance, statutory coverage insurance and insurance that covers your responsibilities as an employer (ACC).

Material Damage Insurance

This covers your business assets like buildings, tools, plant, machinery, equipment and stock for unintended and unforeseen physical loss or damage from events, such as fire, burglary, theft, flooding, subsidence, landslip, earthquake, hydrothermal or geothermal activity, volcanic eruption or tsunami.

Some example benefits of material damage cover include:

- Insured tools, plant and machinery for use anywhere within New Zealand.
- Cash lost or stolen whilst securely locked at your business premises, or in transit, you can be covered up to a certain value.
- Your employees' personal effects at the premises or elsewhere when being worn or used in the course of their employment (e.g. laptops, phones and cameras) can be covered up to a certain value.



- Where keys to your premises have been stolen or duplicated without authority there is cover for the cost of altering or replacing your locks and keys, up to the sum insured specified in your policy.
- Refrigerated goods are automatically covered for damage due to accidental stoppage or breakdown of fridges and freezers, up to the sum insured specified in the policy.

Motor Vehicle Insurance

This tends to be a separate policy. It covers accidental damage and repairs to company vehicles, windscreen, theft, fire damage, legal liability for damage to someone else's vehicle or property or ACC events involving uninsured drivers.

Policies vary according to how many vehicles your business has.

Business Interruption Insurance

This insurance provides cover for financial loss when your business is interrupted or interfered with due to damage from the risks insured under Material Damage and other specified causes. Its primary purpose is to maintain the level of your gross margin prior to the interruption.

Some key features include cover for loss resulting from interruption or interference to the business:

- Due to the closure of the premises caused from Material Damage.
- Resulting from damage at suppliers' or customers' premises.
- Directly resulting from interruption or interference with the business due to prevention of access taken by a public authority (e.g. Police, Fire etc).
- As a consequence of insured damage to public or private utilities which you may use.

Liability Insurance

This provides cover for your businesses' legal liability for damage to other people's property or personal injury to others which was neither expected nor intended from your standpoint.

Some example benefits of liability cover include:

- Public liability – protects against 3rd party damage usually following an act of negligence by you or your employees.
- Employers' liability – protects against actions from employees that fall outside the scope of ACC (e.g. mental health, trauma, stress).
- Statutory liability – protects against actions brought about under certain Acts of Parliament (e.g. Health & safety Act).
- Professional indemnity – protects against damage caused by wrongful advice or design.
- Directors' & officers' liability – protects company directors and the officers against liabilities resulting from the obligations under the Companies Act.

Key Person Insurance

In addition to specific business insurance you also need to consider insurance for key persons.



Things to consider regarding key person insurance:

- What is the structure of your business – company or partnership?
- What shareholder agreements are in place in relation to pre-emptive rights to acquire shares from other shareholders?
- If the death (or other event) of a key person of the business triggers the pre-emptive rights, appropriate insurance can provide the funds needed to complete the transaction.
- Should a key person be unable to continue in the business, appropriate insurance may provide the necessary funds to employ a professional manager in their place.
- As a business owner you may wish to insure your income if health issues prevents you from continuing in your business.

This insurance is complex and specialised and we would recommend you seek specialist advice in this area.

Cost Tips

Work closely with your commercial insurance broker. They act on behalf of you in all negotiations with the insurance companies, from obtaining your first quotations through to renegotiating your renewal premium, to handling your claims.

Brokers can recommend appropriate cover for your business and assist with selecting a suitable underwriter. It's also important to keep them informed of any changes that may affect your business policy or a claim.

Some points to note on purchasing insurance:

- Compare insurance quotes, and actual cover provided. There are similarities between the major companies, however read the fine print.
- Risk management is a key area in determining your premium, therefore ask the provider how you can reduce risk or prevent losses. This may result in discounts on your premiums.
- You can reduce your company insurance premiums by paying a higher excess. Ensure however, that you have money set aside to cover your excesses when the time arrives.
- Avoid shopping around too frequently as this will influence your premiums. Have an on-going relationship with your insurer as this will build trust.
- Check out your insurance broker – insurance brokers do not have to be registered.

Checklist

Depending on the type of commercial insurance you are purchasing, insurance brokers will need to know the following information:

- Signing authorities for the business - usually with small businesses it is the company director(s)
- Type of business - e.g. manufacturing, retail etc
- Specific details of your business, including:



- the number of vehicles you have, any claims made on the vehicles, their ages and mileage
- number of employees, including full time and part time
- previous insurance history.

If you are purchasing liability insurance, you will need to know the amount of coverage you actually require (often these are standard amounts



Emergency Plan and Procedures

Policy

Example Policy

This policy is an example of what an emergency plan and procedures policy.

This plan applies to all people present at the <company> at the time of an emergency and is to be put in place in the event of:

- Earthquake
- Tsunami
- Flood
- Fire
- Chemical contamination e.g. dry cleaners,
- Petrol spill
- Technological disaster
- Any unexplained interruption to water supply or gas mains.

Emergency Evacuation Planning and Procedure:

- All staff are to be aware of the earthquake drill procedure, "Drop, Cover and Hold".
- Full fire and earthquake drills are to be carried out at least twice a year. Four weekly refresher drills are to be carried out, recorded in the diary on the day that the drill was carried out, and followed by an evaluation of effectiveness.
- All staff are to be aware of how to turn off the water mains and the electricity.
- At least one staff member who holds a current First Aid certificate will be present at all times.
- An Emergency Contacts list will be kept in the "Emergency" folder on the wall outside the kitchen and will be updated annually..
- All staff are to make themselves familiar with the <company> Emergency Evacuation Procedures.
- <number of> staff member shall be appointed to act as a Warden while they are in the building.
- Any third party present on the <company> premises are to be made aware of the procedures, the location of fire alarms, fire extinguishers and the fire hose.

Fire Evacuation

- In case of fire, the alarm should be triggered by the Warden.
- The alarm is situated <location of alarm in company/department>.



- Activate the alarm, and on sounding of the alarm instruct all children and adults to go to the closest FIRE EXIT and leave the building.
- All visitors and staff are to meet <location> which is the assembly point.

Evacuation route/exit points:

- There are two emergency exits, <1.> The other is <2.>
- Exits are to be kept clear at all times.

Warden is responsible for:

- Checking toilets, kitchen areas, the office and closing the doors as she/he goes.
- She/he must collect the attendance register and the portable phone before leaving the building.
- For ensuring that a staff member is instructed to call emergency services, dialling **111** as soon as possible.
- Liaising with the Fire Service Officers and ensuring that no one re-enters the building before the all clear has been given.
- Ensuring that the roll is called when everyone reaches the assembly point.

Earthquake Evacuation:

- Staff are to call out loudly **“DROP”**.
- Staff are to stand in doorways facing away from windows or drop or curl covering head/neck area.
- All staff are to remain in position until given the **“ALL CLEAR”** signal.
- Staff members are to remember that their own safety is given priority.

After emergency:

- attend to injured staff, calm and reassure them,
- keep records of visitors departure,
- establish communication with emergency services and family members.

Emergency Kit:

The Emergency Kit will be kept in the <location> and is to be taken by the Warden or another appointed Staff member, when evacuating the <company> in a case of an earthquake. The kit contains supplies needed immediately. Checked 6 monthly.

Please see Appendix A.

[add a list of items such as: water, first aid kit, food etc...]

Approved by.....Designation.....Date: <day, month, year>



Business Continuity Forms

Ref: Open for Business Institute for Home and Business Safety

Employee Contact List

Example Form

Use this form to gather information on employees (and the business owner) so that each person can be contacted at any time or place. After you have entered all your employees, assign a number to *Call Order* for each employee [who to ring first].

You may choose to sort your employee list alphabetically or by call order.

Maintain an up-to-date copy of contact information for each employee in an accessible and secure location.

You can download copies of this form from www.cecc.org.nz and save a blank version so you can make additional copies as needed.

Name: _____ Call order: _____

Position: _____

Key Responsibilities: _____

Home Address: _____

Suburb, City: _____

Home Phone: _____ Mobile Phone: _____

Office Phone: _____ Pager/Beeper: _____

DDI: _____ Fax: _____

Home E-mail: _____ Work E-mail: _____

Certifications:

First Aid CPR

Emergency Medical Technician (EMT) Radio

Special Licenses: _____ Other: _____



Emergency Contact:

Local emergency contact: _____

Relationship: _____

Phone: _____ Alternate phone: _____

Address: _____

Email: _____

Out-Of-Town emergency contact: _____

Relationship: _____

Phone: _____ Alternate Phone: _____

Address: _____

Email: _____

Notes:



Key Supplier/ Vendor Information

Example Form

Use this form to record information about your current suppliers and those you could use as an alternate choice.

Disaster-induced operational problems are not always connected to property damage. They include disruptions in the flow of supplies and in the ability to ship those goods or deliver services. Your ability to resume operations also relies on the ability of your suppliers to deliver what you need on time.

You can download copies of this form from www.cecc.org.nz save a blank version so you can make additional copies as needed.

Status: Current Supplier/Vendor Back-Up Supplier/Vendor

Company Name: _____

Account Number: _____

Materials/Service Provided: _____

Street Address: _____

Suburb, City: _____

Company Phone (main): _____

Website Address: _____

Contacts

Primary Contact: _____ Title: _____

Phone: _____ Mobile: _____

Pager: _____ Fax: _____

E-mail: _____

Alternate Contact: _____ Title: _____

Phone: _____ Mobile: _____

Pager: _____ Fax: _____

E-Mail: _____



Alternate Contact: _____ Title: _____

Phone: _____ Mobile: _____

Pager: _____ Fax: _____

E-Mail: _____

Alternate Contact: _____ Title: _____

Phone: _____ Mobile: _____

Pager: _____ Fax: _____

E-Mail: _____

Recovery notes:



Key Contacts**Example Form**

Use this form to list the key contacts for administration of your business. Key contacts consist of those you rely on for administration of your business, such as your bank, your creditors, your insurance agent, your accountant, etc.

They also include services in the community you need to help you resume operations, such as utilities, emergency responders, media outlets, business partners and business organizations.

Your key customers are an essential part of this list. If you have more than 20 key customers, you should use the *Vital Records* form instead of listing each one here to avoid making your business continuity plan too bulky.

Nevertheless, you still may want to include some of your major customers or clients in *Key Contacts*, as they could be involved with one or more of the critical business functions you identify for your recovery plan.

You can download copies of this form from www.cecc.org.nz and save a blank version so you can make additional copies as needed.

Type:

- | | |
|---------------------------------------------------------------|---------------------------------------------------------------|
| <input type="checkbox"/> Accountant | <input type="checkbox"/> Local Television Station |
| <input type="checkbox"/> Bank | <input type="checkbox"/> MSD - WINZ |
| <input type="checkbox"/> Billing/Invoicing Service | <input type="checkbox"/> Mental Health/Social Service Agency |
| <input type="checkbox"/> Building Manager | <input type="checkbox"/> Payroll Processing |
| <input type="checkbox"/> Building Owner | <input type="checkbox"/> Police Department (Non-emergency) |
| <input type="checkbox"/> Building Security | <input type="checkbox"/> Small Business Administration Office |
| <input type="checkbox"/> City Council | <input type="checkbox"/> Telephone Company |
| <input type="checkbox"/> Creditor | <input type="checkbox"/> Other |
| <input type="checkbox"/> Electric Company | |
| <input type="checkbox"/> Emergency Management Agency | |
| <input type="checkbox"/> Fire Department | |
| <input type="checkbox"/> Gas/Heat Company | |
| <input type="checkbox"/> Hazardous Materials | |
| <input type="checkbox"/> Hospital | |
| <input type="checkbox"/> Insurance Agent/Broker | |
| <input type="checkbox"/> Insurance Company (Claims Reporting) | |
| <input type="checkbox"/> Internet Service Provider (ISP) | |
| <input type="checkbox"/> Key Customer/Client | |
| <input type="checkbox"/> Local Newspaper | |
| <input type="checkbox"/> Local Radio Station | |
-



Name Of Company/Service: _____

Account Number: _____

Material(s)/Service(s) Provided: _____

Street Address: _____

City, State, Zip: _____

Company/Service Phone (*main*): _____

Website Address: _____

Contacts

Primary Contact: _____ Title: _____

Phone: _____ Mobile: _____

Pager: _____ Fax: _____

E-mail: _____

Alternate Contact: _____ Title: _____

Phone: _____ Mobile: _____

Pager: _____ Fax: _____

E-Mail: _____

Recovery notes



Critical Business Functions

Example Form

Use this form to identify what business functions are critical to your survival. To help you get started, the following are some key questions to ask yourself:

- What are my most critical and time-sensitive business functions?
- Which functions would I classify as highest priority? Medium priority? Lowest priority?
- How much downtime can I tolerate for each business function?
- Which business functions are necessary to fulfill my legal and financial obligations and to maintain cash flow?
- Which business functions are essential to maintain my market share and reputation, or to strategically adjust to changed circumstances?

You can download copies of this form from www.cecc.org.nz and save a blank version so you can make additional copies as needed.

Business function: _____

Priority: High Medium Low

Employee In Charge: _____

Time Frame Or Deadline: _____

Money Lost (or fines imposed) If Not Done: _____

Who Performs This Function? (List all that apply)

Employee(s) / Vendor(s) / Key Contact(s): _____

Who Helps Perform This Function? (List all that apply)

Employee(s) / Vendor(s) / Key contact(s): _____

Who Uses The Output From This Function? (List all that apply)

Employee(s) / Vendor(s) / Key Contact(s): _____

Brief Description Of Procedures To Complete Function: (Consider writing procedures for two scenarios, one for a short disruption, the other for loss of everything.)



Recovery Location

Example Form

Use this form to provide information on your recovery location(s), that is, where you will conduct business operations following an event. It could be at an alternate site, at a similar business through a mutual aid agreement, your own home, or if you are location dependent, at your primary place of business.

You may require more than one location depending on a variety of factors including departmental needs, number of employees, etc. If you identify more than one recovery location, be sure to clearly name each one in the *Recovery Location* field.

Note: If you have not secured your recovery location(s) at the time you are starting to develop this business continuity plan, continue on with the planning process. When you have finalized all arrangements for the recovery site(s), return to this form to enter the appropriate information. *You can download copies of this form from www.cecc.org.nz and save a blank version so you can make additional copies as needed.*

Recovery Location: _____

[Include street address, suburb ,city]

Building owner/manager: _____

Phone: _____ Alternate Phone: _____

Pager: _____ EMail: _____

Directions To Recovery Location: _____

[i.e. map and directions from Internet site or similar information]

Business Functions To Be Performed At Recovery location:



Employees who should go to recovery location:

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____
- 6. _____
- 7. _____
- 8. _____
- 9. _____
- 10. _____

Recovery Notes:



Vital Records

Example Form

Use this form to identify records that are vital to perform your critical business functions. Use *Media* to indicate if the record is a print version, on a CD, etc.

You can download copies of this form from www.cecc.org.nz and save a blank version so you can make additional copies as needed.

Name of Vital Record: _____

Business Function It Supports: _____

Media:

- | | |
|----------------------------------------------|----------------------------------------|
| <input type="checkbox"/> Network | <input type="checkbox"/> Print version |
| <input type="checkbox"/> Hard drive | <input type="checkbox"/> Microfilm |
| <input type="checkbox"/> External hard drive | <input type="checkbox"/> Internet |
| <input type="checkbox"/> Laptop | <input type="checkbox"/> CD |
| <input type="checkbox"/> Flash drive | <input type="checkbox"/> Other |

Explain: _____

Is It Backed Up? Yes No

Media For Backup:

- | | |
|----------------------------------------------|----------------------------------------|
| <input type="checkbox"/> Network | <input type="checkbox"/> Print version |
| <input type="checkbox"/> Hard drive | <input type="checkbox"/> Microfilm |
| <input type="checkbox"/> External hard drive | <input type="checkbox"/> Internet |
| <input type="checkbox"/> Laptop | <input type="checkbox"/> CD |
| <input type="checkbox"/> Flash drive | <input type="checkbox"/> Other |

Explain: _____

How Often Is It Backed Up? Hourly Semi-annually

- | | |
|------------------------------------|---------------------------------|
| <input type="checkbox"/> Daily | <input type="checkbox"/> Yearly |
| <input type="checkbox"/> Weekly | <input type="checkbox"/> Never |
| <input type="checkbox"/> Monthly | <input type="checkbox"/> Other |
| <input type="checkbox"/> Quarterly | |

Explain: _____

Where Is It Stored? _____

Can The Record Be Recreated? Yes No



Equipment / Machinery/ Vehicles

Example Form

Identify the key equipment/machinery necessary to perform your essential business functions, i.e. the equipment or machinery that would shut you down or severely curtail production of goods or services if it failed. This could include tools and spare parts vital to operation of equipment. You may also want to list company-owned vehicles.

When there is adequate warning about an event, such as a hurricane, you might decide to take some of your equipment or machinery that can easily be moved to a safe place, so that it can be used at your recovery location(s).

For such instances, you want to list equipment or machinery you currently own or lease. Some disasters occur without warning, though, so you want to be sure you have alternatives available.

Note: Computer equipment should be listed in the *Computer Equipment and Software* form; telecommunications equipment in the *Voice/Data Communications* form.

You can download copies of this form from www.cecc.org.nz and save a blank version so you can make additional copies as needed.

Item: _____

Model: _____ Serial number: _____

Related Business Function(s): _____

Status: Currently In Use Will Lease/Buy For Recovery Location

Is There A Backup Available: Yes No

Primary Supplier/Vendor: _____

Alternate Supplier/Vendor: _____

Recovery Location For Installation: _____

Order Time For Replacement: _____

Recovery Notes



Computer Equipment & Software**Example Form**

Use this form to list the computer equipment, hardware and software you will need to fulfil your critical business functions.

If you go to a recovery location, it is likely you will need to lease or purchase computer equipment and replace your software. You may use this form to list what you would order, and in the *Title & Version or Model No.* field write "Unknown," or similar words, if you do not yet have that information.

Be sure to explain in *Recovery Notes*. The important thing is that your final plan includes what you need to perform your critical business functions.

If you plan to order multiple items of the same type—e.g. keyboards or monitors—you can condense the information into one record. You can list relevant details in *Recovery Notes*.

When there is sufficient warning about an event, such as a hurricane, you might decide to move some of your computer equipment and software to a safe place, so that it can be utilized at your recovery location. For such instances, you want to list equipment you currently own or lease and/or software that you would take, and in the *Status* field check "Currently in use." Some disasters occur without warning, though, so be sure you have alternatives available.

If you currently own/lease the item, choose the supplier(s)/vendor(s) based on which one(s) you would use to replace the item if it were damaged in a disaster. It is always advisable to have an alternate vendor, though, in case your primary vendor is not available.

You can download copies of this form from www.cecc.org.nz save a blank version so you can make additional copies as needed.

Item: _____

Type: Computer Hardware Computer Software

Status: Currently In Use Will Lease/Buy For Recovery Location

Title And Version/Model Number: _____
(Enter "unknown" if hardware/software is to be leased/bought for recovery location)

Serial/Customer Number: _____

Registered User Name: _____

Purchase/Lease Price: \$ _____ Purchase/Lease Date: _____

Quantity (equipment) Or Number Of Licenses (software): _____



License Numbers: _____

Primary Supplier/Vendor: _____

Alternate Supplier/Vendor: _____

Recovery Install Location: _____

Recovery Notes



Voice / Data Communications

Example Form

Use this form to list your voice and data communications needs. Communication with employees, vendors, customers, emergency officials and other key contacts is vital to your ability to resume business operations following a disaster event. This form should be used to determine what telecommunications equipment you need to help you with that communication.

If you go to a recovery location, it is likely you will need to lease or purchase telecommunications equipment. You may use the Voice/Data Communications form to list what you would order, and in the

Description & Model No. field, write "Unknown," or similar words, if you do not yet have that information. Be sure to explain in *Recovery Notes*.

If you plan to purchase or lease multiple items of the same type—e.g. telephones—you can condense the information into one record. List relevant details in *Recovery Notes*.

You can download copies of this form from www.cecc.org.nz and save a blank version so you can make additional copies as needed.

Type Of Service:

- | | |
|----------------------------------------------------------------------------------------------|------------------------------------------------|
| <input type="checkbox"/> Telephone | <input type="checkbox"/> Satellite Phone |
| <input type="checkbox"/> PBX w/ ACD (Private Branch Exchange w/ Automatic Call Distribution) | <input type="checkbox"/> Fax Machine |
| <input type="checkbox"/> PC Data Communications | <input type="checkbox"/> Two-Way Radio & Pager |
| <input type="checkbox"/> Other | <input type="checkbox"/> Mobile Phone |

Explain: _____

Description And Model Number: _____
(Enter "unknown" if telecommunications item is to be leased/bought for recovery location)

Status: Currently In Use Will Lease/Buy For Recovery Location

Voice Communications Features:

- | | |
|-----------------------------------------|------------------------------------------------|
| <input type="checkbox"/> Voice Mail | <input type="checkbox"/> Conversation Recorder |
| <input type="checkbox"/> Speaker | <input type="checkbox"/> Conference |
| <input type="checkbox"/> Text Messaging | <input type="checkbox"/> Other |

Explain: _____

Data Communications Features:

- | | |
|--------------------------------|------------------------------------|
| <input type="checkbox"/> Cable | <input type="checkbox"/> Dial-Up |
| <input type="checkbox"/> DSL | <input type="checkbox"/> Broadband |
| <input type="checkbox"/> Other | |

Explain: _____



Quantity: _____

Primary Supplier/Vendor: _____

Alternate Supplier/Vendor: _____

Recovery Install Location: _____

Recovery Notes

