

Best Practices and Hints for Risk Preparedness for Small and Medium Enterprises (SME)*

The first question is why look at SMEs?

Texas' three million small businesses have a significant impact on the state's economy. Small businesses represent 99.8 percent of all businesses in Texas and employ 45.1 percent of the state's workforce. As a large part of the state's economy, small businesses are central to Texas' health and well-being.

Lamar University's College of Business team developed a brief guide for best practices and hints for risk preparedness

This basic guide was developed through a subgrant to the Lamar University College of Business Administration from an Economic Development Agency (EDA) grant with the SouthEast Texas Regional Planning Commission (SETRPC) along with a risk management self evaluation toolkit to highlights best practices that small businesses can implement to mitigate the effect of flooding and other natural disasters allowing SMEs to become more resilient. The best practices identified in this guide originate, to a large extent, from literature developed by the Federal Emergency Management Agency (FEMA), the Small Business Administration (SBA), federal and state and local governments, and insurance companies.

Best Practice: Business Impact Analysis (BIA)¹

The purpose of the BIA is to identify operational and financial impacts resulting from the disruption of business processes and functions.

A basic business impact analysis includes the following four steps:

- (1) identifying the impact on the business;
- (2) assessing the timing and duration of the impact;
- (3) determining the operational impact and
- (4) quantifying the operational impact in financial terms.

Common factors to consider in a BIA analysis include:

- Loss of staff
- Cash flow issues
- Customer dissatisfaction or defection
- Lost sales and income

¹ Ready.gov (www.ready.gov/business-impact-analysis)

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- Delayed sales and income
- Increased expenses (e.g. overtime labor)
- Disruptions to supply chain
 - Supplier failure
- Contractual penalties
- Delay of new business plans
- Accidents
 - Fire or explosion
 - Utility outages
 - Mechanical breakdowns
- Natural hazards
- Cybersecurity incidents

Best Practice: Focus on Assets²

Focusing on the impact of flooding on business assets can also be used for disaster planning.

- Step 1 Identify your assets
 - What is valuable to your organization?
 - Workforce
 - Building
 - Information
 - Customer records
 - Equipment
 - Servers and computers
 - Specialized equipment
 - Inventory
 - Supply chain
- Step 2 Identify your asset's vulnerabilities
 - Location
 - Old equipment or prone to failure
 - Business located in a low-lying area prone to floods
 - Business located in a coastal high-hazard area
- Step 3 Identify threats
 - What happens if you are without power or utilities for hours, days, or weeks?
 - Can a flood damage equipment?
 - Can a hacker access your data after a disaster?
 - Can the organization be exposed to lawsuits or other sources of legal liability?

Best Practice: Prepare your technology for flooding³

- Identify who in the organization is responsible for IT data safety and recovery.
- Consider cloud-based solutions to backup and store data allowing remote access.
- Have an email vendor that spools (retains) your emails.

² *LSU AG Center*

³ Are You Prepared? Technology for disaster-proofing your practice. Texas Bar Journal. June 2021.

- Have system passwords encrypted in the cloud, since you may need them during the recovery phase.
- Have the capability to remote wipe lost laptops, tablets, or other mobile devices to make sure that data on these devices does not fall into wrong hands.
- Consider surge protectors for computer hardware.
- Consider the need for a power generator or backup batteries for computers or equipment so that the business can keep running without electricity.
- Consider the need for a mobile hotspot or portable broadband (“Mi-Fi”) to stay connected to the internet even if local service is disrupted.
- Consider the need for portable phone chargers (e.g. solar-powered phone chargers) to maintain communications.
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Best Practice: Undertake Operations Planning Measures⁴

- Identify suppliers, shippers, resources, and other businesses you depend on
- Plan what you will do if your business, store, or plant is inaccessible.
- Know what you will do and how will you staff if employees have evacuated.
- Determine how you will ensure access to cash and payroll continuity.
- Establish an emergency planning team.
- Establish and define crisis management procedures and individual responsibilities.

Best Practice: Pre-Plan Communication Channels⁵

- Pre-planned communications assist in preventing mass panic among employees.
- Create a contact sheet with personnel and emergency information:
 - Establish a phone tree to contact employees.
 - Make sure that contact information is updated periodically.
- Identify alternate operating locations prior to a disaster and incorporate alternative locations in the disaster plan.
- Hold a debriefing meeting once employees come together.
- Contact clients as soon as you have reestablished operations to inform them that you are available.
- As needed, appoint liaisons to work with each of the following entities:
 - Building or facilities management
 - The fire department, Police department, Health department, Emergency management agencies, Other governmental agencies
 - Utility companies, including electric, gas, water, phone, wireless, internet
 - Insurance agent
 - Banker
 - Key vendors
 - Post office
- Evaluate disaster communications after the event to identify ways to improve communications in a future event.

⁴ From Risk to Resiliency, Louisiana Governor’s Office of Homeland Security & Emergency Management and LSU Stephenson Disaster Management Institute 2010.

⁵ Disaster Planning and Recovery: Risk Management Practice Guide of Lawyers Mutual, Lawyers Mutual Liability Insurance Company of North Carolina (Jan. 2017).

Best Practice: Test, Training & Exercise⁶

- Create a schedule for tests, training, and conducting emergency exercises, typically annually:
 - Exercise the Plan or phases of it (ex. perform actual relocation to an alternate site or virtual location).
 - Train/test personnel on the Plan and their respective roles and responsibilities, including a resumption of essential functions, and retrieval of vital records and databases.
 - Test access to the backup data and vital records and update accordingly.
 - Test notification and communication systems, both internal and external.
 - Test the IT and communications equipment, including software.
- Update your emergency business continuity plan based on the findings of the training exercises.

Best Practice: Review Insurance Coverage/Create Inventory/Reserves⁷

- Meet with insurance agent annually to review insurance, especially property coverage limits, deductibles, and co-insurance requirements.
- Maintain inventory records in a safe location.
- Maintain a current photo or video recording of your premises, equipment, inventory, supplies, and other valuable tangible assets.

Best Practice: Consider Structural and Non-structural Mitigation Activities⁸

- Identify and relocate critical contents.
- Consult a professional engineer to develop solutions for protecting vital systems through elevation, anchoring, or other design mechanisms.
- If necessary, consult with an engineer to evaluate elevating your structure.
- Consult with a professional engineer for options for wet floodproofing and dry floodproofing the business structure.



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⁶ Surviving a Disaster: A Lawyer's Guide to Disaster Planning, American Bar Association (Aug. 2011).

⁷ Ready Business Inland Flooding Toolkit, Federal Alliance for Safe Homes.

⁸ Ready Business Inland Flooding Toolkit, Federal Alliance for Safe Homes.