

Emergency management

Q: How do you handle cash flow when natural disasters or other forces beyond your control cause you to temporarily shut down your business?

A Having lived through the devastation of Hurricane Sandy at the Jersey Shore, I have given this matter much thought recently. As I write this, businesses all around me are still struggling; unfortunately, many won't figure out the answer. A sober estimate from the American Red Cross says 40 percent of businesses shut down by a natural disaster like Sandy never reopen. Ouch.

So the real question here is not about cash flow—it's about survival. And the first step to survival has nothing to do with cash. Rather, it has everything to do with people: your employees, customers and vendors.

In a large-scale disaster that affects your entire community, you'll likely find that many, if not all, of your employees simply vanish. They may have lost their homes or cars or are simply unable to reach you. After assessing the damage to your business, do your best to track down your employees and let them know the status of the company and their jobs. The same outreach extends to vendors and creditors, especially if they're located outside your area and may be unaware of the details of your situation.

If you can assemble a staff to clean up and get the business back in some semblance of working order, be cognizant that everyone's anxiety level is going to be high. Help calm frayed nerves by doing everything you can to make

employees' lives a little easier: organizing transportation, setting up on-site day-care, instituting flexible work schedules. Understand that your staff members will probably be facing serious personal issues, so productivity will not be at an optimum level.

Once you've got your business under control, do what you can to help the community. In my part of New Jersey, scores of businesses that were able to operate after the storm with generators or at reduced capacity provided products and services to those who needed them, free of charge. Stores emptied their shelves to storm victims; business owners organized employees to volunteer. Such good deeds can have significant healing power.

Now it's time to address the sudden lack of revenue. One thing to keep in mind during a crisis is that many expenses will cease: Most commercial leases provide for the suspension of rent if the premises are not available for use, and it's doubtful that you'll be paying for deliveries of new inventory.

As for payroll, options vary by state, but in general you may not have to pay hourly workers, and you may be able to temporarily suspend payments to salaried workers. (You'll want an attorney's input before you make that decision.) However, I suggest doing whatever you can to pay your staff, even if it's simply giving them some wages to help out in the community while you wait for the

Why do so many small businesses fail after a natural disaster?

1

The company has no disaster plan in place to guide actions under extreme duress.

2

There's no effective data backup. Only half of businesses survive a total loss of data.

3

Bad management decisions or poor financial management have resulted in a weak balance sheet.

4

Poor leadership results in zero loyalty among the experienced employees necessary for rebuilding.

power to come on. Just like you, they need an income source, fast.

Nearly every business in my town is dealing with these issues after Sandy, and those that are doing better are the ones that prepared for it. On that note, there is one major step you can take immediately to help ensure your company's survival: Back up all data off-site or to the cloud. This way, in the event of damage to IT infrastructure or extended power outages, you will have a chance to continue operating. —Joe Worth

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In case of emergency ...

- + BEFORE ANYTHING ELSE, CONTACT YOUR INSURANCE COMPANY. IT SHOULD HAVE DISASTER TEAMS ON-SITE CUTTING CHECKS IN DAYS, NOT MONTHS.
- + LOCAL, COUNTY AND STATE AGENCIES WILL BE MOBILIZED TO HELP—FIND OUT WHAT THEY CAN DO FOR YOU.
- + LOOK INTO THE SBA'S LOW-INTEREST LOANS FOR BUSINESSES IN ANY FEDERALLY DECLARED DISASTER AREA.
- + ASK YOUR VENDORS TO EXTEND THEIR TERMS.
- + ASK YOUR CREDITORS TO TEMPORARILY SUSPEND PAYMENTS DUE OR TO EXPAND YOUR LINES OF CREDIT.
- + TAKE ADVANTAGE OF IRS AND STATE TAX DEDUCTIONS FOR CASUALTY LOSSES AND DEADLINE EXTENSIONS FOR FILING AND PAYING TAXES.

