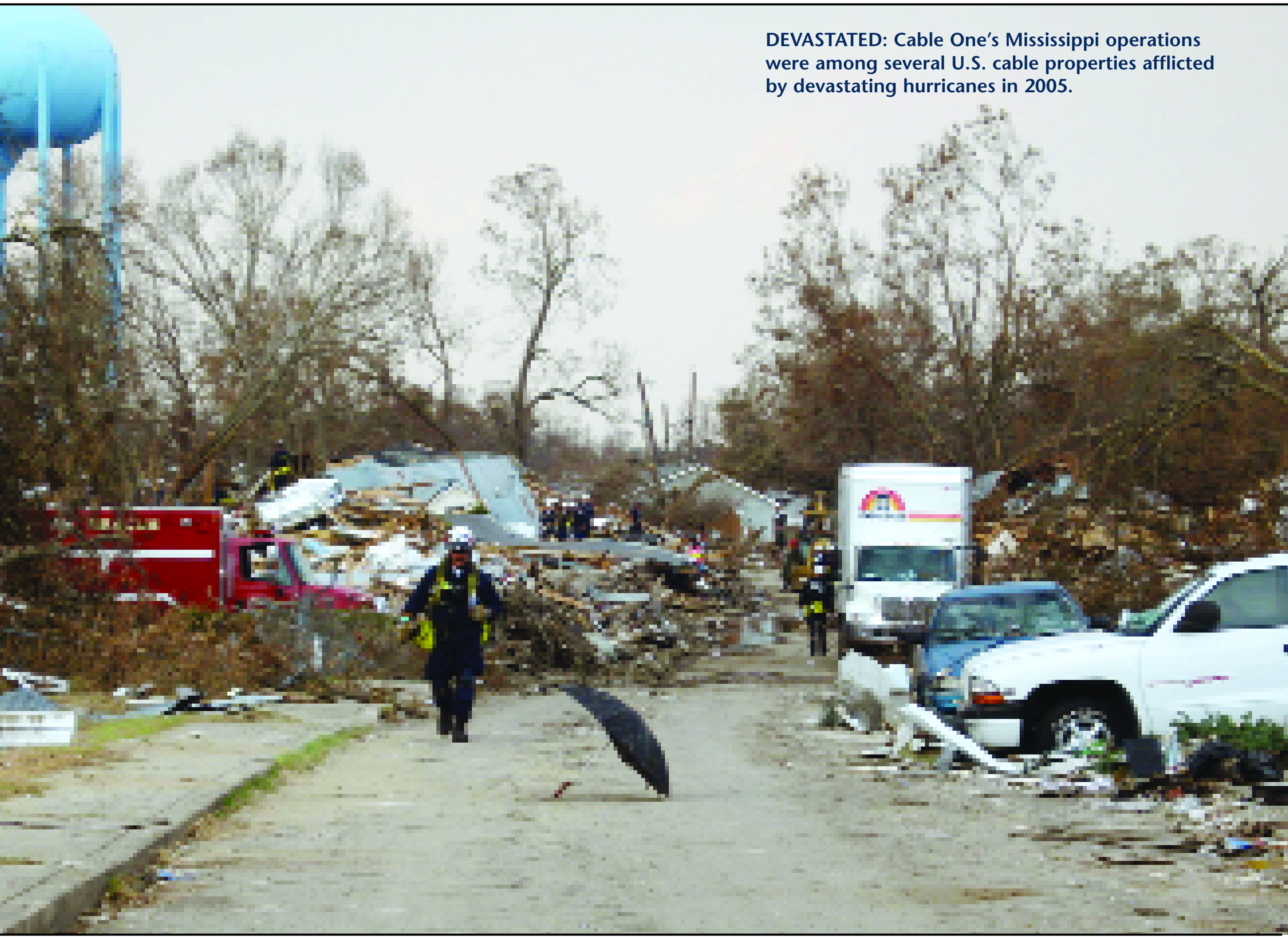
Reprinted from the May/June 2006 issue of **The Financial Manager** magazine

After the DISASTER

How to make business recovery an indispensable part of your business plan

By Sam K. Lee



DEVASTATED: Cable One's Mississippi operations were among several U.S. cable properties afflicted by devastating hurricanes in 2005.

When disaster strikes, broadcast and cable companies put themselves on the front lines for their customers. Americans depend on radio, television and electronic media to provide the latest news and information they need to survive anything from blizzards and earthquakes to hurricanes and tornados.

Media companies understandably put substantial effort into planning how they will report on catastrophes, but they should also consider how they would cope if their own operations were shut down by a disaster. By having a disaster recovery plan in place, companies can reduce the risks of a prolonged period of "dead air" and potentially ruinous loss of advertisers, audiences and revenues.

The public nature of the broadcast and cable business makes any disruption a high-profile event that is likely to be costly. In a matter of seconds, audiences can move to other outlets, and advertisers won't pay for spots that don't run. In this business, time truly is money. The key to minimizing the damage from an unexpected shutdown is to develop a solid disaster recovery plan, make it a priority in the organization, keep it updated and test it on a regular basis.

Many forms

Who can forget the riveting reports from New Orleans in the aftermath of Katrina? Or photos of the Indian Ocean tsunami's terrifying wall of water? As unpleasant as this may seem, natural catastrophes such as hurricanes and earthquakes make for riveting news reports – and high viewer ratings. Disasters, however, can come in many forms: large and small, natural and man-made. Any one of them can shut down a broadcaster or cable company. For instance, when the Sept. 11 terrorist attacks brought down the World Trade Center, broadcasters lost primary transmission equipment atop the twin towers and had to switch to back-up facilities. A few weeks after that attack, news operations were disrupted again when letters containing anthrax were sent to major networks.

Beside terrorism and natural catastrophes, time-sensitive businesses can fall prey to far more mundane problems. A squirrel chewing on a power line once brought trading to a halt on a national stock market, and a snail shut down the cable television system in Liechtenstein when the unwitting gastropod crawled into a power socket.

Given the tremendous scope of possible disasters, it would be nearly impossible to prepare for every one. For that reason, recovery planning should focus on a disaster scenario rather than a specific event. A popular scenario among planners is an incident that causes a 30-day outage to a critical facility, because a company usually knows within 30 days whether it can restore a building or broadcast facility or be forced to move to a new location. This scenario can provide the basis for a comprehensive business recovery plan, regardless of the type of disaster encountered.

A critical element in developing a solid recovery plan is to determine how long the company can afford to remain closed. Unlike manufacturers, which can often continue operations with products in storage and ready to ship, broadcast and cable companies can't rely on inventory. When they are off the air, ad revenues stop. By putting the proper resources into planning, companies can make sure they will be able to restart their operations fast enough to avoid lasting damage to the business.

Recovery planning

Typically, disaster recovery planning is composed of four main components:

- **Preparedness** planning to address the most likely risks in a given area
- **Emergency** planning to cope with a disaster, including issues such as how people will be evacuated and how to minimize the damage to facilities
- **Business recovery** planning to determine how the company will resume operations after a disaster
- **Business restoration** planning to decide how to get the business back on a normal footing.

While companies often do very well in preparedness planning and emergency response, they sometimes fall short on business recovery planning and fail to provide adequate funds for full restoration of their operations.

In disaster recovery planning, the first step is to perform a risk assessment outlining the most likely exposures, both natural and man-made. For instance, hurricanes are a major concern for Florida broadcasters, while earthquakes are a top priority for California cable operators. Next, companies should conduct a risk and business impact analysis that will help them to identify critical business functions and vulnerabilities; prioritize which operations will be brought back first in a "triage" situation; determine the resources needed for recovery; and set return-time objectives for each operation.

Although media companies need to get back on air as quickly as possible, they need to remember that the shorter the recovery-time objective, the more expensive the solution.

Setting priorities

For broadcast and cable companies, critical facilities would include transmission equipment or control towers. Companies without redundant facilities should recognize that a single point of failure could affect wider operations. For example, a power loss at a key facility could shut down transmission from several stations.

While resuming transmission is the top priority, companies should rank the order in which programs will be resumed in case a back-up facility is able to handle only a limited number of programs. Because not all operations can be brought back up at once, it's crucial to prioritize which business functions will be recovered first.

Then, businesses should develop solutions to mitigate the exposures identified in the risk analysis. These solutions could include a back-up facility or a smaller facility where the business can resume operations. For example, after the Sept. 11 attacks, major broadcasters shifted their transmissions to facilities based in New Jersey. While not as powerful, these facilities kept broadcasters on the air.

Smaller companies that can't afford redundant facilities should consider holding on to an older facility when upgrading to a newer one. Since any solution will involve spending money, companies should conduct a cost-benefit analysis that considers business recovery investments as a cost of doing business and a means of preparing the company to recover after a disaster.

Photo courtesy of Cable One

When the initial steps in disaster recovery planning are completed – a process that is likely to take months – companies should document the order in which operations will be restored after a disaster. By its very nature, the plan will change a company's organization and reporting lines to reflect its recovery priorities after a disaster. For example, employees could be shifted from one unit to another or be placed in special teams, such as a broadcast equipment recovery team, facilities team or public relations team.

After the plan is documented, it should be tested to reveal any weak spots and expose possible roadblocks. Companies should test their recovery plan at least twice a year. Testing may show, for instance, that some functions can be passed to outside vendors or that a crucial step has been overlooked. Outside experts can help by providing needed expertise and objectivity in ranking critical functions within the company. Insurance carriers with expertise in disaster recovery planning can help steer a business through the complex issues that need to be addressed in developing a viable plan.

Back to business

Disaster recovery planning is a dynamic process, and broadcasters and cable companies should make sure their plans reflect changes in the business and the marketplace, such as asset sales, acquisitions, personnel changes and changes in infrastructure.

In addition to planning, companies should recognize that restoring a business after a disaster will require additional expenditures. To meet those financial demands, they should make sure their business income insurance adequately addresses loss of revenue and additional expenses they will incur after a disaster. For example, business income insurance should address the extra expense of renting a temporary facility and hotel and meal costs for employees. Companies also should remember that as they grow, so will their business income insurance needs, making it crucial to take growth and acquisitions into account when deciding on policy limits. By working with their brokers or carriers, companies can make sure they have adequate insurance to protect them when disaster strikes.

Disaster recovery planning should be an indispensable part of a company's strategic plan. The time, energy and resources put into business recovery planning will pay off in several ways. Most important, the company will be prepared for a disaster and able to recover as quickly as possible. A side benefit is that everyday operations can be managed more efficiently with the knowledge gained through the critical analysis of the company's business operations. Obviously, businesses thinking about expansion should avoid building critical infrastructure in disaster-prone areas, wherever possible. And when creating infrastructure, they should seek to remove the potential for loss from a single point of failure.

Although many broadcasters and cable companies will eventually experience a disaster, smart managers plan for them. By preparing adequately, broadcast and cable companies can make sure they stay on the air – and in business – when disaster strikes.

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THE KATRINA CONTINGENCY

Advance planning for a potential disaster helped Emmis Communications Inc. resume its broadcast news operations quickly in the wake of Hurricane Katrina's devastating assault on New Orleans last September.

A key element of the recovery was a pre-planned exercise Emmis executives call "central casting." It refers to contingency plans that call for disrupted stations to edit and assemble news content from other TV station facilities. In the case of WVUE, news crews set up camp at LIN TV's WALA in nearby Alabama, where they produced news reports and footage that was transmitted to Emmis's Orlando TV station WKCF. There, the reports were edited into final form and readied for airing.

Problem solved? Not exactly. The same severe flooding that had ruined WVUE's production studios also knocked WVUE's transmission tower out of service, making it impossible to broadcast an over-the-air signal. "Not only were we out of a facility, but we were out of a signal as well," said Ray Irvin, internal audit director for Emmis.

But again, a contingency plan played an important role. Orlando's WKCF transmitted the completed news programs directly to area cable operators, who were able to relay the content at least to partial areas of their operations that the storm had spared.

Emmis also was quick to deliver assistance to its employees. The company dispatched a jet loaded with food and supplies plus gift cards for a nearby Wal-Mart store, and continued to pay salaries as the station remained dark.

Three months after Katrina struck New Orleans, Irvin said the Katrina experience demonstrates the value of having an advance plan at the ready before disaster strikes. By early November, the station was able to resume broadcasting from a backup tower, and crews were producing news from a temporary studio in New Orleans.

In the meantime, Irvin has been dealing with the financial implications and working with insurers to determine how funds would be dispersed. "There are significant write-offs" because many area businesses that had advertised with Emmis were literally destroyed. "At the same time, we had significant damage to our facilities and assets," Irvin says.