

**BMSS PRESENTS:**

# Creating Resilience in Your Business

*How to Recover From & Avoid Black Swan Events*



**THURSDAY,  
MARCH 21**



**8:30AM TO  
10:00AM**

# TECHNOLOGY RESILIENCE

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# WHAT IS BUSINESS RESILIENCE?

- Business Resilience = the capacity of an organization to survive, adapt and grow in the face of adverse conditions
- Resilient businesses have the ability to cope with uncertainty and recover quickly from disruptions
- Resilience is critical for long-term success in the face of increasingly complex and unpredictable business environments



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# WHY IS BUSINESS RESILIENCE IMPORTANT?

- Business resilience helps organizations to survive and thrive in the face of adversity
- Resilience helps to minimize the impact of disruptions and maintain business continuity
- Resilience reduces costs associated with disruptions and protects the organization's reputation
- Resilient organizations are better positioned to take advantage of opportunities and respond to changing business environments



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# ASSESSING YOUR RESILIENCE

- Could you pivot to adjust people, processes and technology?
- Do you have contingencies plans in place to handle crises?
- Do you have the capacity to return to normal operations quickly after a disruption?
- Do you have strong leadership and culture that can push through hard times?
- Do you have effective communication systems to help manage through crises?



## Operations Resilience

Respond to business disruptions, restore business operations quick, and maintain the organization's core sense of purpose.

## Technology Resilience

Maintain acceptable service and reliability through, and beyond a severe disruption to systems

Volatility, uncertainty, complexity, and ambiguity (VUCA) is now the norm in a digital world.

# Resiliency 1.0



# Resiliency 2.0



# Future



Rapidly adapts to business disruptions, leverages digital capabilities to maintain continuous business operations, and quickly adjusts to take advantage of changed conditions and capture new opportunities.



# Leverage technology for Business Resilience

**Core Investments**

**User, Network, BI and Operational Systems.**

**Cloud Technologies**

**Flexibility, Scalability, and Efficiency**

**Remote Working**

**Continuity, Reduce physical dependencies, Diversification of labor resources**

**Security**

**Safeguard organizational assets, reputation and operations from threats.**

**Data**

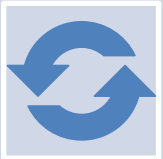
**Leverage data to evaluate “what-if” scenarios. AI models for decision support**



# Learning from Setbacks



The importance of debriefing and learning from past challenges



Implementing a feedback loop for continuous improvement



Stories of businesses that adapted and thrived post-challenges



# THE VALUE OF A PRE-SEASON: PLANNING FOR A DISASTER

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# The Value of a Pre-Season: Planning for Disaster

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## Pre-Season!

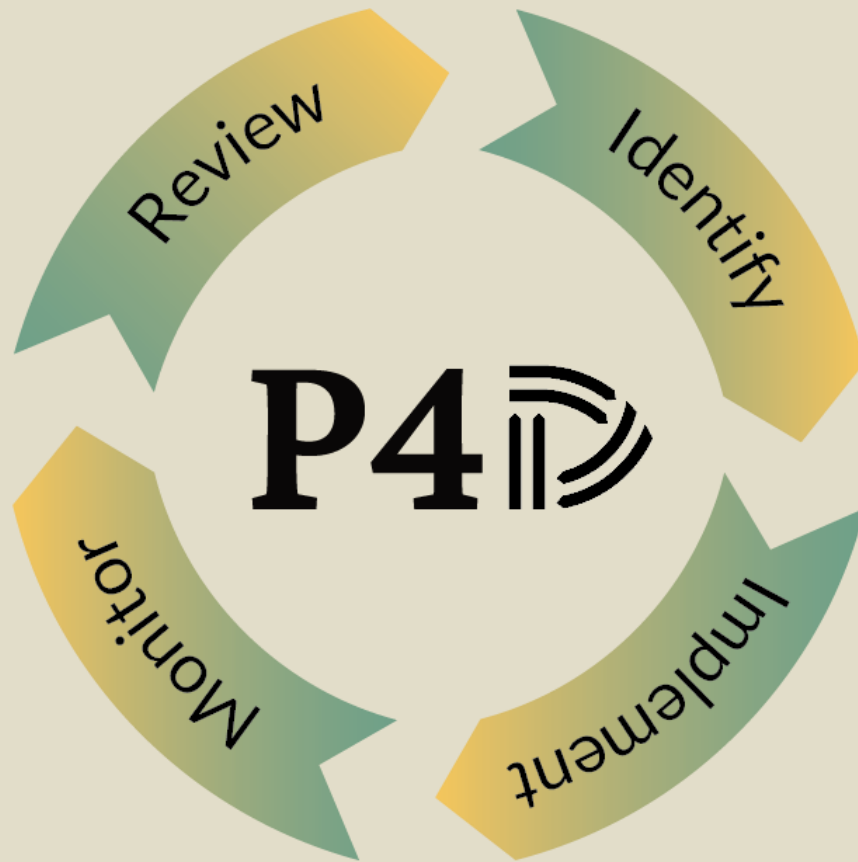
Just as in sports, a disaster pre-season affords organizations the ability to analyze their effectiveness, prepare for the uncertainty of a post-disaster environment, and gauge their disaster recovery fitness level.

Before the next flood, fire, hail, tornado or hurricane season, make sure your organization is Planning for Disaster!

## **Learning Objectives:**

- 1) Simplified approach to develop a disaster recovery plan
- 2) Proactive steps to minimize downtime and restore your balance sheet quickly
- 3) Review and assess your commercial property insurance coverage





## Objectives:

1. Business background and loss history
2. Policy named locations
3. Insurance coverage and risk appetite
4. Existing business continuity and/or disaster recovery plans
5. Risk management plan and resources



# Insurance Policy: Key Components



## Beginning

- Cover Page
- Declarations
- Policy Limits
- Deductibles

## Middle

- Perils
- Coverages
- Exclusions
- Definitions

## End

- Endorsements!

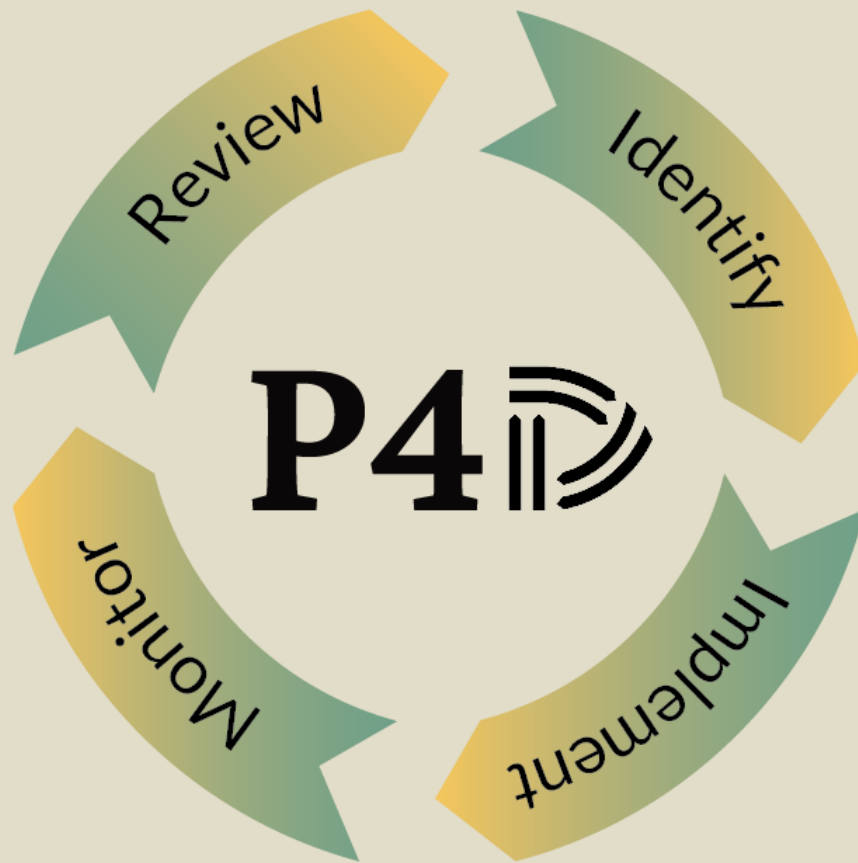
**INSURANCE SCHEDULE OF VALUES (SOV) AND SUPPLEMENTS OR “ATTACHEMENTS TO” THE INSURANCE POLICY. MAKE SURE TO HAVE CURRENT COPIES OF ALL DOCUMENTS**

# Insurance Policy: Review “Checklist”

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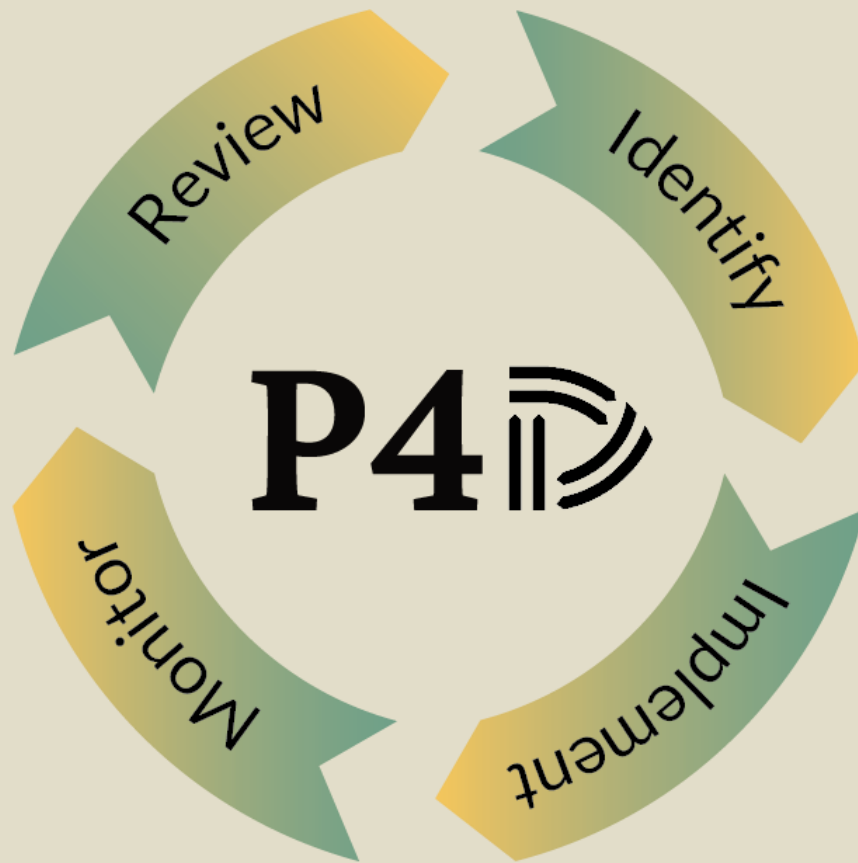


- ☐ Make sure the policy is current
- ☐ Obtain Copies of ALL applicable policies (including NFIP, stock throughput, etc.)
- ☐ Ensure each policy is complete (all pages, declaration page, forms, endorsements, etc.)
- ☐ Review applicable limits of liability
- ☐ Maintain a copy of the current Schedule of Values / insured values
- ☐ Determine if values on Schedule of Values are “Limits”
- ☐ Confirm and understand deductible structure (peril, % deductibles, ADV, waiting periods, etc.)
- ☐ Read and understand Endorsements, and how they apply
- ☐ Review policy exclusions (compare them against declarations or endorsements)
- ☐ Read and understand definitions
- ☐ Identify any time restraints / requirements (notice, reporting claim, filing suit, etc.)



## Objectives:

1. Key areas for improvement
2. Disaster recovery team resources
  1. Internal
  2. External



## Objectives:

1. Disaster recovery strategy and plan
2. Standby contracts for critical services
  1. Established rate schedules
3. Online web portal for BCP and “phone tree” of POCs



# Case Study: Paper Manufacturer Needs Quick Recovery Strategy After Hurricane Ida

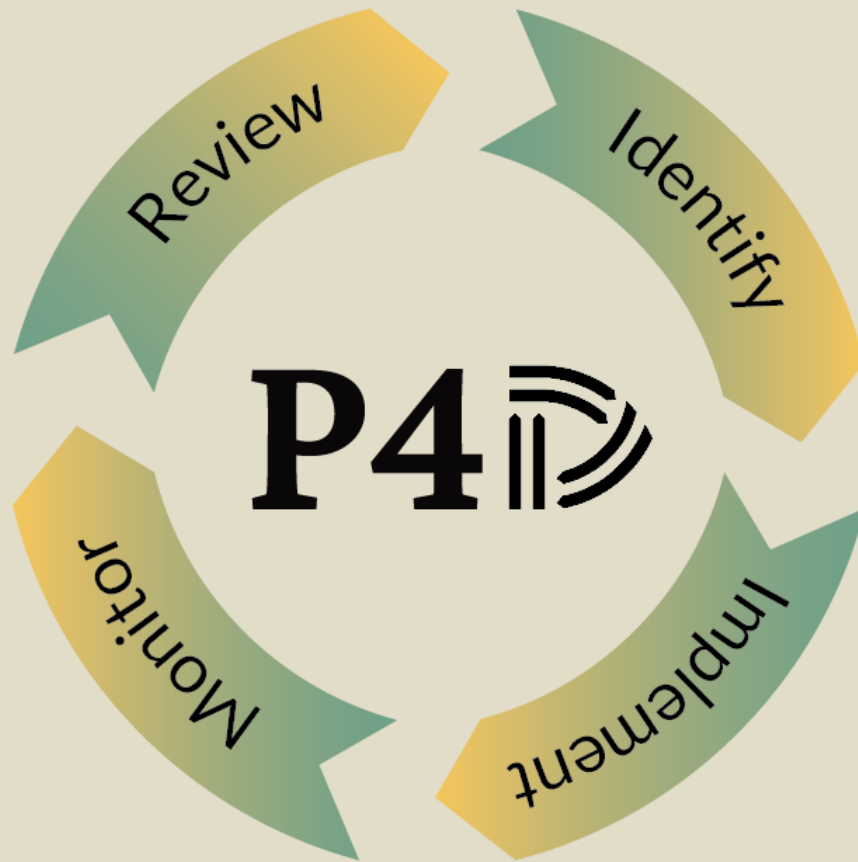


- 600,000+ sq ft manufacturing facility under 4 feet of water, including:
  - 17 major pieces of manufacturing equipment
  - 450+ motors
  - 40+ fork trucks
  - 1,000+ dies
  - 100s of dye/ink cartridges
  - 400+ paper rolls
  - 165,000 sqft finished goods warehouse
  - Admin building a total loss
- Initial recovery projection: 2-4 months

# Case Study: Paper Manufacturer Needs Quick Recovery Strategy After Hurricane Ida



- Project was too big for client's day-to-day remediation firm
- DRS MVP mitigation partner arrived on site in < 24 hours
- DRS Project Management provided vendor oversight and liaised with the insurance company representatives
- Remediation completed in 5 weeks
- Partial production resumed 6 weeks after the loss
- **40%** of the claim was paid within 30 days, and
- **80%** of the claim was paid within 90 days



## Objectives:

1. Necessary revisions  
(changes in locations, etc.)
2. Insurance coverages, policy forms,  
and trends
3. Annual updates



# TOOLS AND METRICS, DISASTER RECOVERY PLAN

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# Agenda

- Tools and Metrics for Assessing Resilience
- Disaster Recovery Plan
- Identifying Vulnerabilities with Your Business Model
- Major Historical Threats
- Narrow Misses Threats
- Resiliency Threats
- Identification Methodology
- Case Studies

# Tools and Metrics for Assessing Resilience

# Disaster Recovery Plan: Physical

## Office

- Remote work as a solution during the COVID pandemic

## Plant/Production

- Cost-prohibitive to have a full duplicate backup location
- Consider adding another location and strategically splitting machinery and equipment
- Establish agreements to outsource critical processes to vendors

# Disaster Recovery Plan: Physical

## Backup Supply Chain

- Question 1: Does a “China Plus One” strategy adequately diversify my supply chain?
- Question 2: Does having a backup plan mean I’m prepared for future supply chain disruption?
- Question 3: Is raising prices the only way to offset increases in material and transportation costs?
- Question 4: Can I find nearby alternative suppliers?



# Disaster Recovery Plan: Financial

## Electronic Cash Flow Projection Tool

- Ability to model a 5% reduction in sales revenue
- Monthly burn rate and reserves
- Reserves include cash, investments, and quick-sale assets

## What kind of reserves do you have?

- Cash
- Investments
- Quick-sale assets
- How many months will those last?

# Disaster Recovery Plan: Financial

## Line of Credit

- Size and availability
- 80% of accounts receivable and 50% of inventory
- Collecting A/R and selling inventory to free up availability
- Consider increasing your availability with your banker
- PPP Money since COVID may have hidden this problem
- Are possible threats going to interfere with your liquidity plans?



# Identifying Vulnerabilities with Your Business Model

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# Major Historical Threats

- Oil Crisis and Houston Real Estate Collapse (1973)
- Chernobyl Nuclear Disaster (1986)
- 9/11 Terrorism (2001)
- HealthSouth Local Fraud (2003)
- Katrina Hurricane Weather Disruption (2005)
- Bernie Madoff National Fraud (2008)
- Great Recession and Real Estate Collapse (2008)
- BP Oil Spill (2010)
- Fukushima Nuclear Disaster (2011)
- Tuscaloosa Tornado Weather Disruption (2011)
- COVID (2020)
- San Francisco Civil Unrest (2021)



# Threat Responses Create Resiliency

- In 2001 BMSS we saw the Trade Centers fall and watched files and paperwork blow down the street in chaos. It prompted us to go completely paperless and we became the first CPA firm in Alabama to go paperless.
  - In consideration of power outages, we experienced one on April 15<sup>th</sup> one year (a transformer exploded). We decided to get everyone laptops for portability to work from home.
  - While being aggressive on VOIP technology, we moved to softphones on our laptops thereby eliminating handsets.
  - These responses created resiliency.
  - When COVID came, everyone could effortlessly work remotely.
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# Narrow Misses Threats

- Bird Flu
- Ebola
- Y2K
- Cryptocurrency Crash
- Opioid/Fentanyl
- Ransomware

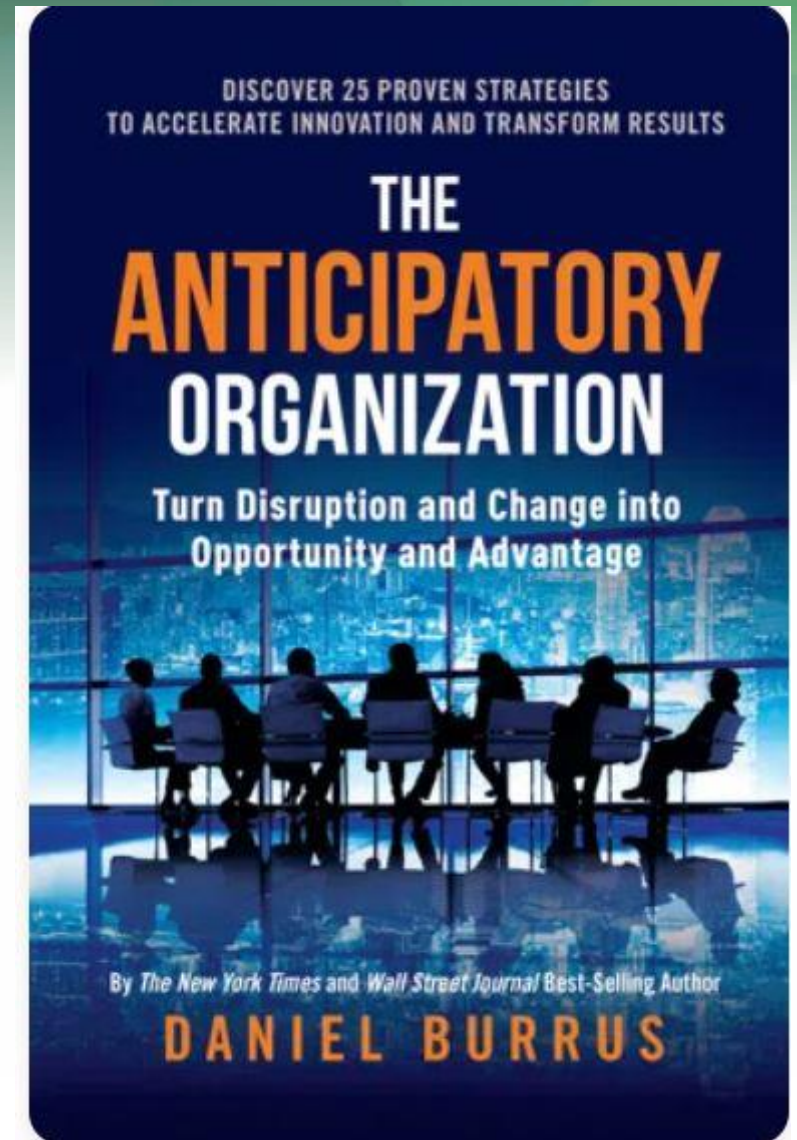


# Common Business Interruption Threats

- Natural disasters such as hurricanes, earthquakes, floods, wildfires
- Fire damage to property or equipment
- Supplier or vendor disruption
- Machinery breakdown or equipment failure
- Cyber attacks or data breaches
- Temporary closure due to government orders or regulations
- Workplace accidents leading to employee injury or death
- Infectious disease outbreaks (e.g., pandemics like COVID-19)
- Civil unrest or riots in the vicinity of the business
- Utility disruptions (such as power outages or water main breaks)

# Identification Methodology: The Anticipatory Organization

- Turn disruption and change into opportunity and advantage
  - Separate hard trends from soft trends
  - Jump ahead with low risk and confidence
- What is your biggest business problem TODAY?
- When surveyed, 92% of CEOs said they could have seen their biggest problem six months beforehand.







# Identification Methodology: BMSS LLC – Client 361 Program

Client 361 is BMSS' unique service in which we walk you through the major operational functions of your business as well as the decisions that could impact your personal well-being.

Through our Client 361 program, we take a holistic look at your business and personal nuances—asking you questions about your sources of capital, production process, cybersecurity, human resources, estate planning, and more—and provide a comprehensive analysis of your responses and actionable steps for success.

More than a static 360-degree snapshot of where you are today, Client 361 goes a degree beyond, helping you make informed decisions and prepare for tomorrow

# Key Components of the Client 361 Program



- Accounting
- Technology
- Management Information & Controls
- Human Resources
- Marketing
- Management Goals & Objectives
- Personal Financial Well-being
- Production
- Products & Services
- Sources & Adequacy of Capital



A man with short brown hair, wearing a white dress shirt and a blue tie, is looking down with a slight smile. The background is a bright, out-of-focus indoor setting.

# Case Studies

Keith Barfield's  
personal list of  
surprise business  
interruption war  
stories

# The Loss of a Single Important Customer

- Foundry operation sold electrical castings to family-owned company
  - Accounted for 80% of sales
- Concerns about lack of diversification
  - Assured it would not be a problem due to family control
- Related company canceled contract
  - Less than a year later
- Liquidated





# The Inability to Deliver Enough Manufactured Goods

- Locally owned company manufactured recreational equipment
  - Received a nationwide order from a big box customer
  - Stretched with capital equipment to meet the contract
- Big box unilaterally cut sales price below manufacturing cost
  - Local company refused the price reduction demand
- In retaliation, the big box increased orders to an unmanageable level
  - Local manufacturing company went out of business



# One Construction Contract Bankrupts a Local Construction Company

- Construction company in Jasper goes bankrupt
  - Contracted with a large university
  - Event center construction had cost overruns
  - Exceeded the net worth of the company
  - Company went out of business after 20 years





# Tanning Bed Manufacturer Put Out of Business by Conflicting Supply Agreement

- Tanning bed manufacturer goes into business with a partner
  - Guarantees to provide tanning beds
- Judge decides there's a conflict of interest
  - Owner has a greater responsibility to new partner than own company
- Company runs out of tanning beds to sell directly
  - Results in bankruptcy



# Roofing Company Bankrupt After Tornado Damage

- Power outage lasted two weeks due to damage
  - Operations moved to basement space to restart
- Losses from being out of service depleted company cash reserves
  - Business eventually closed due to lack of resources upon an owner's health issues





# Big Box Drywall Contract Bankrupts Drywall Subcontractor

- Drywall company successfully completed big box drywall contracts
    - Bid four supercenters off of square foot takeoffs
    - Did not account for supercenters being two stories tall
    - Lost money equal to second-floor installation labor
    - Defaulted on 3 other similarly estimated contracts
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# Questions?

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*If you have a question that you'd like to ask, please use the **Q&A Button** at the bottom of your screen.*

*CPE certificates will be issued approximately two weeks after the presentation.*