

# **Business Survival and Recovery From Extreme Events**

Daniel J. Alesch and James N. Holly  
University of Wisconsin-Green Bay

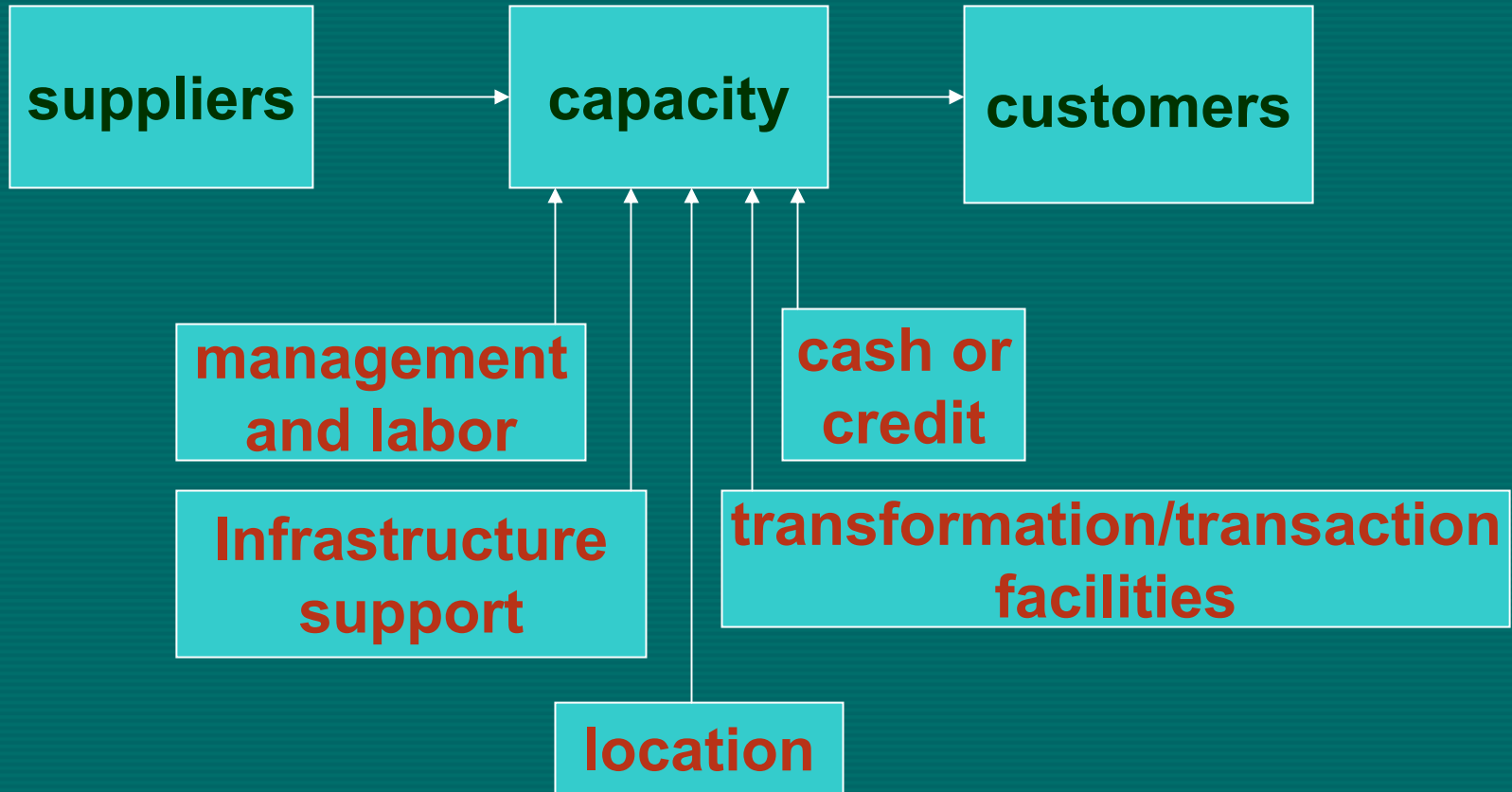
What I'm going to say today is based on more than a decade of field research.

- Two dozen communities.
- Hundreds of businesses.
- Floods, hurricanes, earthquakes, tornadoes, fires.
- Alabama, California, Florida, Georgia, Louisiana, Minnesota, Mississippi, New Mexico, North Carolina, North Dakota, Wisconsin.
- Face-to-face interviews and conversations with more than a thousand people.

# A Quick Look at the Obvious

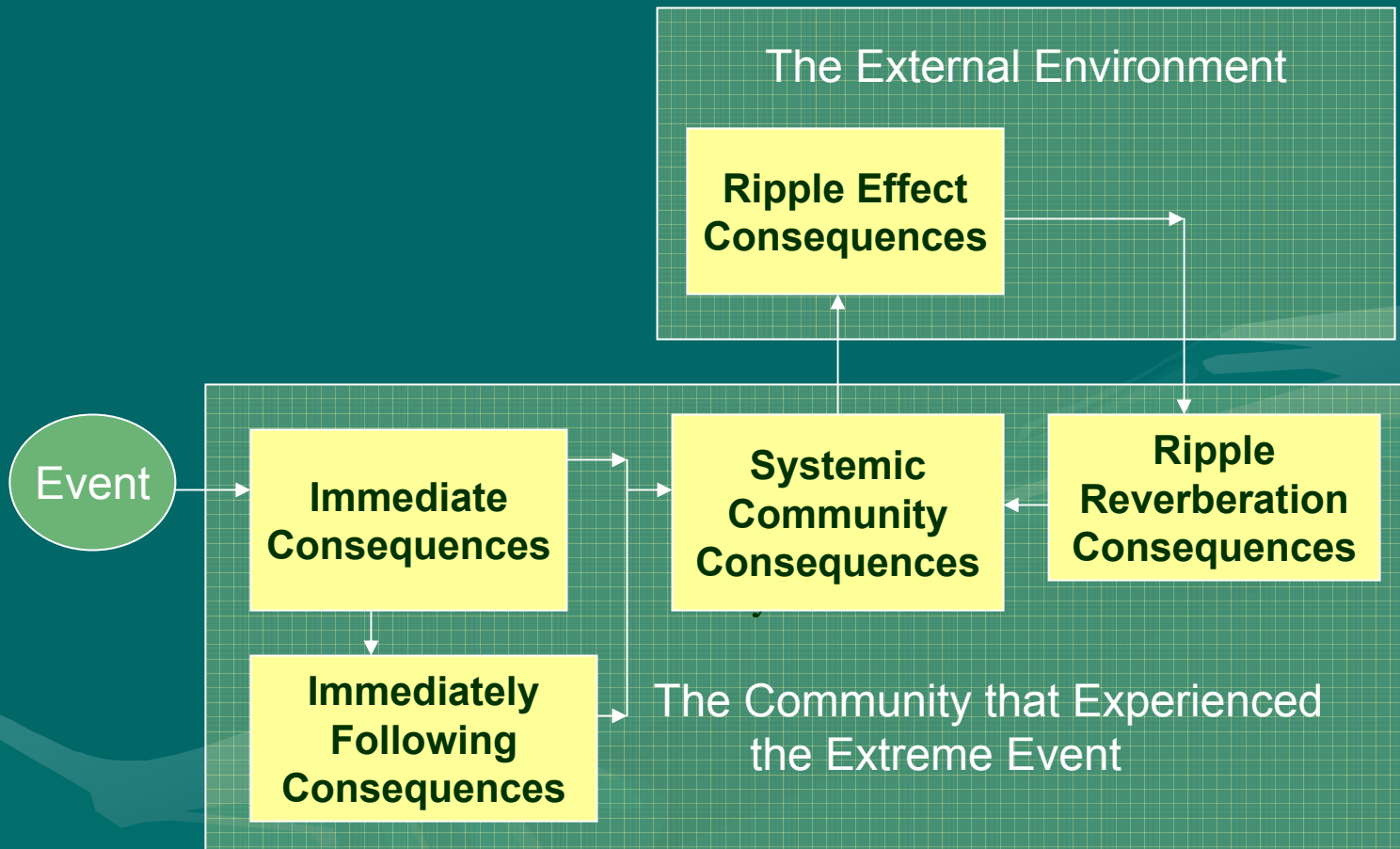
- Some things are simply necessary for creating and maintaining a successful business.
- They are also necessary for business recovery.
- I call them the Seven Critical Cords of business survival.

# Seven Critical Cords



# The Nature of Disasters

- Extreme events result in disasters when they have severe adverse consequences for individuals, organizations, and communities.
- The more the event results in unraveling the community fabric, the greater the disaster and the harder it is to survive and recover.
- That's true for both communities and businesses.

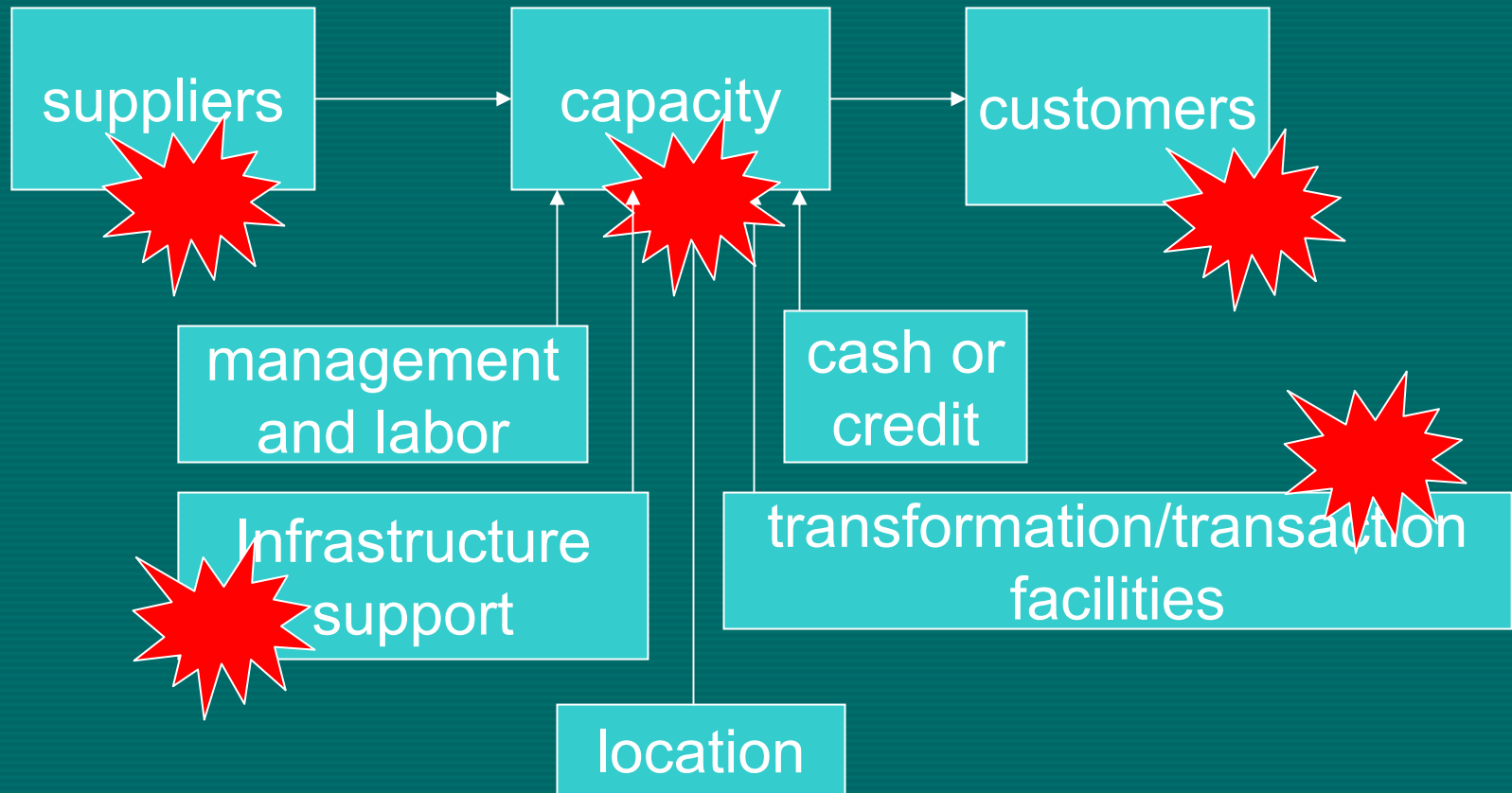


**Figure 1. Relationships Among the Cascading Consequences of Extreme Events.**

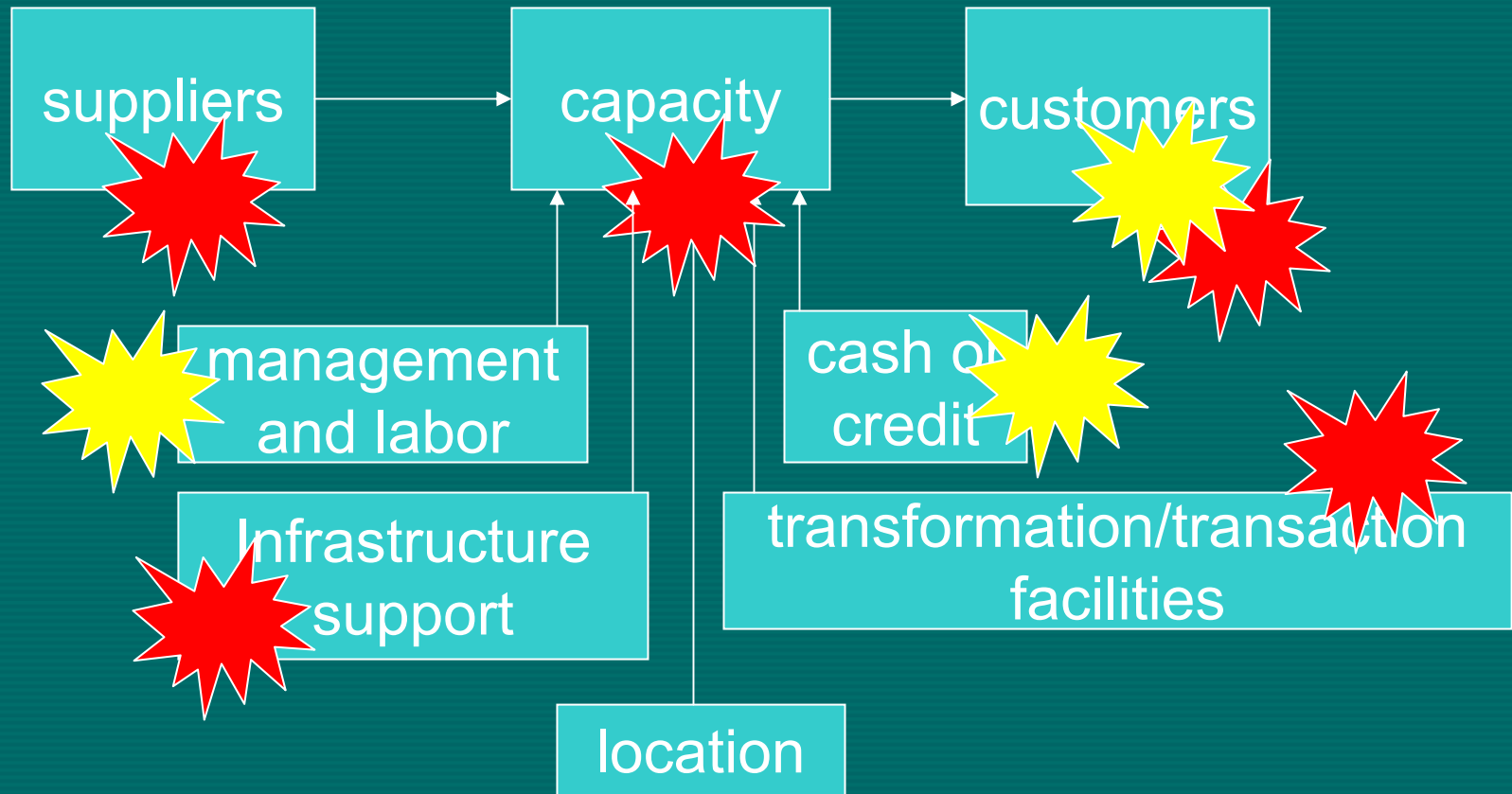
# Extreme Events Can Sever Some of the Seven Cords

- Immediate Consequences
- Immediately Following Consequences
- Systemic Consequences
- Ripple Consequences
- Ripple Reverberation Consequences

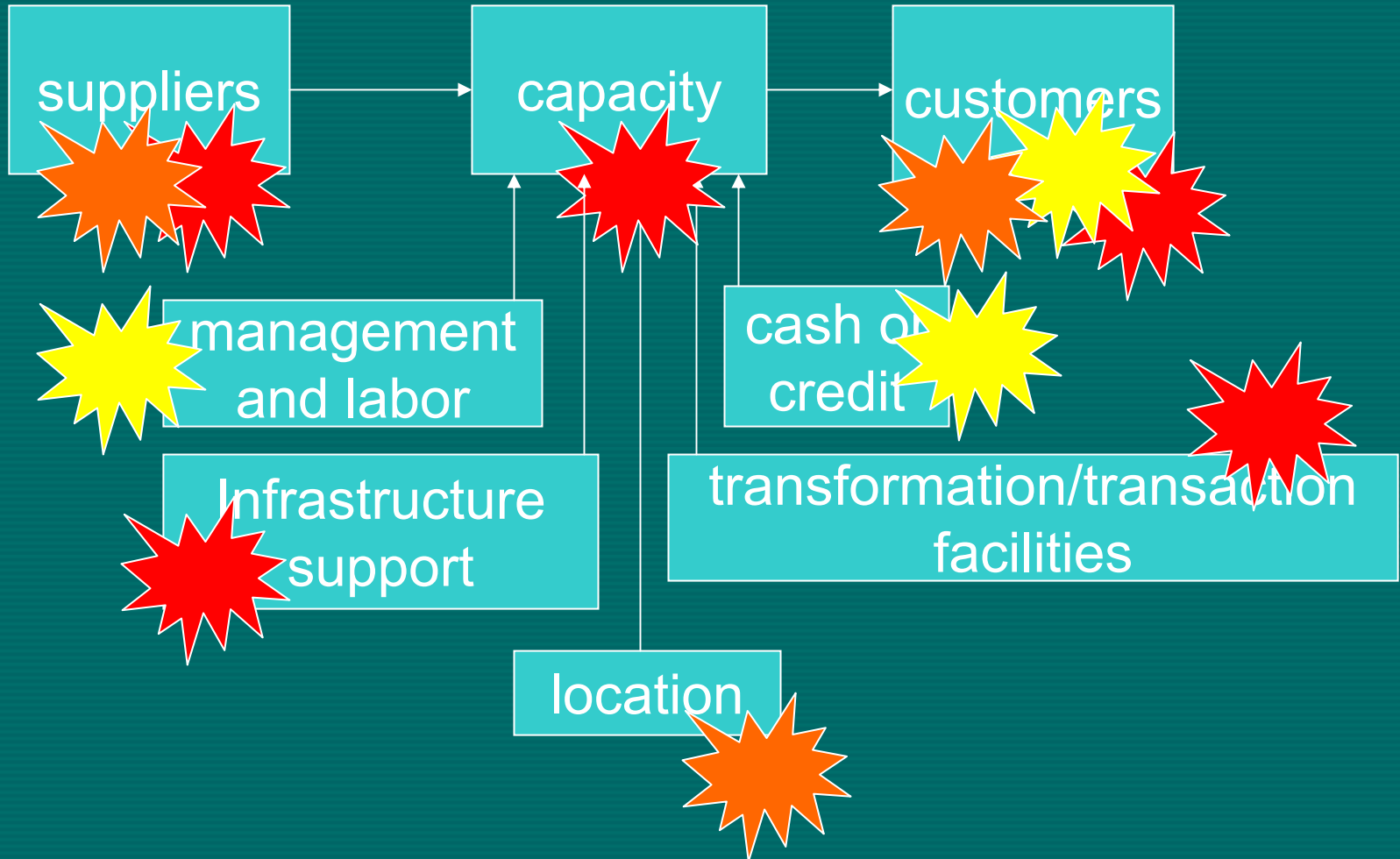
# Immediate and Immediately Following Consequences



# Systemic Consequences



# Ripple Reverberations



**Wow!**

Is there any hope?

**Of course there is.**

	Vibrant, Strong, Viable Community	Viable Community	Highly Vulnerable, Weak Community
Modest Consequences	Very High Probability		
Moderate Consequences		Likely Recovery Over Time	
Severe Consequences			Very Low Probability

**Figure 2. Hypothesized Probability of Community Recovery from an Extreme Event**

# The best advice for recovery is not to need it.

- Pre-event community and business hazard mitigation is the most important step in recovery.
- Mitigation raises the threshold level of the event that results in a disaster.
- Since powerful events are rare, mitigation means the consequences of most events will not be devastating.
- Successful mitigation puts businesses and communities in a position to be even more successful by taking advantage of the competition's lack of foresight.

# Mitigation is (Conceptually) Simple

- Reduce the number and severity of the events.
- Reduce exposure to the events.
- Reduce the vulnerability of assets that remain exposed.

# It isn't just mitigation for the business

- The more effectively a community mitigates against extreme events, the less likely it is that one or more of the Seven Critical Cords will be severed by the event.
- They cannot always be put back together (Remember Humpty-Dumpty?)
- Thus, for communities or businesses, the key lesson is to protect your assets.

# Business Recovery for Idiots

- We have concluded that most small business failures following a disaster occur because they reopen even though one or more of the cords is damaged or destroyed; e.g., their customer base declined precipitously at the same time their operating costs increased.
- Sometimes 'dead businesses walking' continue for years until the owner is out of savings, credit, energy, and hope.
- Then they close.
- The lessons seem clear.

# Business Recovery for Idiots, cont.

- After the event, check each of the Seven Critical Cords for damage.
  - Do it every week for many months after the event
- Don't reopen unless the Critical Cords are all in place at an acceptable level.
- If the Critical Cords aren't in place, *adapt to the new circumstances*.
  - Move, pick a new niche, start a different business.
  - Do whatever it takes.
  - (Never forget the lyrics: “Fifty ways to leave your lover”.)

# Local Government Rarely Does Much to Help Businesses Recover

- Sometimes perceived to be beyond the mission.
- Other than SBA, few programs provide funds to do much.
- Some communities use HUD block grant monies to give loans, but they usually contain dysfunctional constraints.
- Sometimes, local governments actually do things that make it a lot tougher for businesses.

# But, Local Government Could Help

- Mitigate the community before the event.
- In the Immediate Aftermath of the Event
  - Provide accurate, reliable information about the current status of things.
  - Get infrastructure up and running quickly.
  - Facilitate permits for urgently needed businesses.
  - Help with housing and transportation for workers.
  - Provide businesses with loans with limited, not limiting, constraints.

# Local Government Can Help

- And, local government can help over the long term, too.
- But we're out of time right now.
- We'll be publishing that stuff in the near future.
- And, after that, there is more to come.

**Thanks for listening.**

If you want more information

about our work

[dalesch@new.rr.com](mailto:dalesch@new.rr.com)

