



A STRATEGY SPOTLIGHT

Importance of Business Continuation Planning

Unfortunately, there are many ways in which a business can be disrupted; such disruptions can cost the business more money than they want or can afford. The end result could mean lost revenues and extra expenses due to the disruption which ultimately reduces the overall profits. A well-developed and maintained business continuation plan outlines the steps necessary for a company to operate in the wake of a sudden change.

Planning helps address basic concerns, such as management in the event of a death, retirement, disability, and/or incapacity. Also, continuation plans reveal backup strategies for more complex scenarios like lawsuits, human error, viruses, mergers and acquisitions, labor disputes, or distribution matters.

KEY POINTS

- 1 | “One size fits all” planning doesn’t work well.
- 2 | Business continuation plans are critical to all types of companies.
- 3 | Proper planning insures the company will continue.

The ability of an organization to recover from an event is directly related to the degree of planning that has taken place before the event occurred. Without a plan, the sad reality is that a business which experiences an episode could go out of business within a few years of the event.

Therefore, business continuity plans are critical to the continuous operation of all types of businesses. In today's technology world, such planning becomes extremely vital as companies become increasingly reliant on technology to do business. As companies place more emphasis on technology in order to better address their customers they can become less organized and/or focused on maintaining information which can be lost as a consequence of a disaster.

STATISTICS



of data loss is caused by malicious or criminal attack.¹



is the average cost of downtime.²



of small businesses cease business after a ransomware attack.³



of businesses lose revenue due to outages.⁴



of businesses never test their disaster recovery plan.⁵

¹ IBM Security, "Cost of a Data Breach Report," Page 30, Figure 13, 2019.

² Information Technology Intelligence Consulting, "Global Server Hardware, Server OS Reliability Report," Exhibit 7, page 26, 2019.

³ Money.cnn.com/2017/07/27/technology/business/ransomware-malwarebytes/index.html, "Why ransomware costs small businesses big money," 2017.

⁴ Community.spiceworks.com/blog/3138-data-snapshot-how-well-equipped-are-businesses-to-bounce-back-from-disaster, "Data Snapshot: How well equipped are businesses to bounce back from disaster?," 2018.

⁵ Techrepublic.com/article/why-23-of-companies-never-test-their-disaster-recovery-plan-despite-major-risks/, "Why 23% of companies never test their disaster recovery plan, despite major risks," 2018.

Taxation

When dealing with business continuation a proper plan will address the value of a business interest for both the fair market value of the sale and estate purposes. Specifically, the fair market value is the hypothetical price that a willing buyer would pay and that a willing seller would accept when neither is under any compulsion to buy or sell and both have reasonable knowledge of the relevant facts. Therefore, an advantage of a business continuation plan is the ability to help set or predetermine the potential estate tax values of a business interest and to not leave an estate open to the long, expensive, and often losing process of trying to prove a lower value against a higher assessment by the IRS.

The Bottom Line

A business plan is a company's safety net! The plan enables companies to respond and/or adapt to potential disasters without crippling the business operation as a whole. The goal is to establish policies and procedures appropriate to the company in order to help companies address emergencies that lessen the overall operation of the companies. As the percentages show, failure to plan accordingly can be a costly endeavor for both the business and family.



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