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Avoiding data disaster

Many small businesses fail to protect their core documents from the threat of calamity.

By Cathleen Ferraro -- Bee Staff Writer

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After a huge fire last year, five managers of New Home Building Supply huddled in one of the spared buildings -- a concrete storage shed with three walls -- and struggled to reconstruct the business.

Records had gone up in flames, and store leaders had to rely only on their collective memory to create a new a customer list that dated back to 1949.

"It was an arduous process," said Rob Laurrance, spokesman for the lumber yard and hardware store that also lost employee files, accounts payable and receivable documents, legal contracts, credit applications, tax returns and the entire hardware store.

Like this Sacramento building supply store, many small businesses aren't protecting core documents -- the spinal cord of every company -- despite the threat of terrorist attacks or disasters such as tornadoes, hurricanes, earthquakes and fires.

This oversight can prove to be a fatal mistake. In a 2002 study, the research firm Gartner reported that 40 percent of small-and midsized companies that experience a sudden misfortune go out of business within five years.

"Most people have a false sense of security, especially if they're in a new building," said Kit Miyamoto, chief executive of Marr Shaffer & Miyamoto, a West Sacramento engineering firm that specializes in earthquake loss consulting. "Usually companies are worried about loss of life when they call us in ... and they don't always think about the loss of records, but they should."

Miyamoto estimated that an earthquake registering 5.0 to 6.0 on the Richter scale would likely cause 5 percent to 20 percent damage to most local commercial buildings, depending on their age. While not a devastating slice of any structure, the damage is still potentially pivotal in a company's future.

"If data (are) stored in that area where there's the greatest damage, then you may lose 100 percent of your vital records even though only 5 (percent) to 20 percent of the building is actually unusable."

Small and midsize businesses often use "guesswork" -- relying on their experience rather than an outside assessment -- in formulating a disaster recovery plan, if they have one at all, according to a recent study titled "Preparing for Organizational Disasters" by Gartner, which is based in Stamford, Conn.

The primary reason: IT managers say their budgets are too small to hire an expert.

Instead, firms expect their insurance policies to carry them after a calamity. But that can be dicey. Insurers typically want receipts and other records to verify the loss.

So, what if the business can't produce the documents because they were destroyed? "The insurance claim payout will probably be delayed, denied or reduced," said Van Carlisle, chief executive of Fire King International. The Indiana manufacturer produces fire-resistant files and safes for protecting paper or electronic documents.

Of course, some small businesses protect their vital records with off-site electronic copies updated daily. And they are some of the die-hard preachers of the ritual.

"I tell all my customers there are only two kinds of people -- those who have lost data and those who are going to lose it," said Thom Finks, owner of Sundance Computers in Auburn.

Seven years ago, the small computer maker and retailer suffered a \$38,000 loss after a burglary. For Finks, the incident was just like a natural disaster, as he faced the draining task of replacing swiped and damaged goods.

Sundance's \$1 million insurance policy covered the losses, but mostly because Finks had a backup disk with every shred of information needed to run his business -- vendor data, invoices, check ledgers, customer lists, employee files -- that he carted home each night. From that alone he was able to submit an adequate insurance claim.

"There's no insurance policy that could ever bring back the names and numbers you need," Finks said.

The vital-records preservation industry has been emerging since the early 20th century, when America was undergoing rapid urbanization and had already suffered through several huge fires -- in Chicago, Baltimore and San Francisco.

Back then the solution was to store essential paperwork in fire-resistant safes or vaults inside companies.

Today the field -- formally known as business continuity and disaster recovery -- has blossomed into dozens of players with technological expertise in data backup systems and storage in off-site locations.

"Companies are more dependent than ever before on the information they house," said Robert Hartwig, chief economist at the Insurance Information Institute. "This is more true today than it was even as recently as 1992, when there wasn't much Internet. Records, documents, it's the key to survival in the Information Age."

New Home Building Supply certainly knows that. Managers were able to re-create only about 85 percent of the store's precious customer list after last year's fire.

They also had to re-create new Department of Motor Vehicle registration, deeds, titles, legal documents, customer credit applications and employee files. All data are backed up regularly and electronically shipped off-site.

"Now we'd only lose a day or two of data," said Laurrance, the company spokesman. "Not a business life's worth."



Rob Laurrance of New Home Building Supply checks out the Sacramento building supply store's new electrical utility room last week. The room was designed to be non-combustible after the company was hit by a major fire last year that destroyed its records.

Sacramento Bee/Florence Low



Firefighters were unable to save New Home Building Supply from the four-alarm blaze that left the Franklin Boulevard store a smoldering ruin on April 14, 2002.

Sacramento Bee/ Randy Allen



An April 2002 fire didn't shut down New Home Building Supply for long. The company set up a temporary business office and continued selling. Nine days after the blaze, owner Wayne Steving, seated, was filling out an order form for customer Coe Clark, right.

Sacramento Bee/Jay Mather

About the Writer

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