

Contingency plans crucial to helping businesses rebound after disruption

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Tony Ellsworth says it's a miracle his business wasn't incinerated when the Witch Creek fire roared through rural Highland Valley, just west of Ramona, after midnight on Oct. 22.

In some ways, though, it almost would have been easier if it had.

The inferno that charred almost 198,000 acres and destroyed more than 1,000 homes somehow spared Ellsworth's backcountry home and the nearby warehouse that serves as corporate headquarters for Ellsworth Handcrafted Bicycles.

So Ellsworth's company sustained no damage.

But his business was disrupted, and trying to resume operations has been a jarring ride for Ellsworth, 46, an entrepreneur from Eugene, Ore., who began building high-end mountain bikes in Ramona more than 15 years ago.

The company basically experienced a business blackout for a week after the fire. It took days to restore water service and weeks for utility crews to restore hi power. Regular telephone service came back only a few weeks ago.

The financial losses are harder to quantify. Ellsworth counts most of his losses in terms of lost time and lost sales, maybe \$300,000 in lost revenue. He has not laid off any employees, but he increased his debt with a small-business loan through the Federal Emergency Management Agency.

Now, after months of scrambling to overcome computer glitches and other problems, Ellsworth says his business has "mostly stabilized" and bike sales are back on track. Yet his efforts to restore operations in the weeks after the firestorm were plagued by chronic setbacks that he likened to the random mayhem of the children's board game "Chutes and Ladders."



SEAN M. HAFLEY / Union-Tribune
Josh Bender, a mountain biker who specializes in large drops and stunts, rides down a charred hillside near Ellsworth's backcountry headquarters.

Ellsworth discussed his disaster-recovery efforts with unusual candor, and he even shared transcripts of online chats he conducted with employees in the days immediately following the blaze. Those chats reflect an unrelenting focus on cash flow – the lifeblood for a small business – as Ellsworth and his employees battled a torrent of problems.

Ellsworth conceded that he had not prepared a business-disruption plan, which forced him to react to problems on the fly.

Experts in a growing field known as business continuity management say many small and medium-size businesses fail to develop contingency plans for such disruptions.

“Of the 350 businesses at the World Trade Center, about 150 of them never restarted” after the Sept. 11, 2001, terrorist attacks, said Charles Wallen, a business continuity consultant in Dallas. “If they don't have a good plan, they may never come back.”

Ellsworth's company makes specialty bikes primarily for offroad-cycling enthusiasts and extreme athletes. Prices range from \$3,500 to as much as \$6,000, depending on the model, bike frame and customized components.

In 2006, the private company's sales amounted to \$3.3 million, which represented a 26 percent gain over the previous year. In fiscal 2007, Ellsworth Bicycles was again on pace for record revenue, with sales during the first nine months totaling \$3.5 million.

So the timing couldn't have been much worse when the Witch Creek fire erupted at 11 a.m. on Sunday, Oct. 21.

'Matter of time'

By that evening, Ellsworth knew that the inferno was headed straight for his hillside property, which includes his home, his company's 10,000-square-foot warehouse and an avocado grove with 1,200 trees.



SEAN M. HAFLEY / Union-Tribune
Tony Ellsworth says the time he spent restoring his business kept him from working on future designs.

**IN CASE OF
EMERGENCY**

Ellsworth said a police officer told him, “You're going to be evacuated; it's just a matter of time.”

Ellsworth pulled the two computer servers he uses to run his business, along with a backup server, and loaded them into his truck, along with business records, bicycles and personal belongings.

He evacuated calmly about 1 a.m. that Monday, leading an entourage that included a neighbor, his wife, Chiapin, three kids, two dogs, a cat and a bird. They drove about seven miles to the Rancho Bernardo home of Mike Mulder, Ellsworth's half-brother and the owner of Beyond Bikes, a retail bicycle store in Carmel Mountain Ranch.

But the rampaging wildfire, driven by winds gusting to 60 mph, forced them to evacuate Mulder's Rancho Bernardo home less than three hours later. This time they had only minutes to escape, Mulder said, as fist-sized embers rained on the suburban neighborhood like catapult projectiles.

“All I had time to do was grab my laptop and a box of pictures,” Mulder said.

Ellsworth found refuge later that morning at an Oceanside beach house, where his family joined the family of business partner William Klehm. They were among 1 million residents forced to evacuate that week.

The intensity of the firestorm left Ellsworth convinced that his home and livelihood were in smoldering ruin. But he had to know for sure, so he decided to return that afternoon to his Highland Valley property. The trip required driving around a road closure barricade, but it gave him some peace of mind to discover that his home and business were still standing.

Some guidelines for business preparedness from Gartner's Disaster Recovery and Business Continuity Research Group:

1. Establish an emergency response team that is empowered to manage the recovery processes that are specific to your business.
2. Create procedures for emergency notification of employees, suppliers, business partners and public authorities.
3. Perform regular data backups and ensure that the associated backup media are archived at a safe and secure location.
4. Ensure that recovery-time requirements for critical business applications and data are defined, agreed upon and regularly updated.
5. Engage a data center facilities provider to ensure the availability of a backup data center should one be needed.
6. Test the procedures that you have defined for crisis management, emergency notification and data center recovery at least once a year.

SOURCE: John Morency, Gartner Inc.

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Ellsworth said he thinks the warehouse survived in part because of good building design and the fact that the Witch Creek inferno melted an irrigation line, which showered water across the building. He also credits the power of prayer.

Because Ellsworth's hillside warehouse survived, the bicycle maker's offices, assembly and shipping operations remained intact. Ellsworth's bicycle-manufacturing center, based in Vancouver, Wash., was unaffected and continued normal operations.

But the inferno had knocked out water, power and telephone service. Emergency road closures prevented anyone from returning to the area for nearly a week.

As a small business with just 17 employees, maintaining cash flow was critical, Ellsworth said. So the loss of power and telephone service posed an immediate peril for the company, which gets hundreds of business calls each weekday.

By Tuesday morning, Ellsworth convened an online business conference with key employees using SharePoint, a Microsoft program that allows teams of people to collaborate by connecting over the Internet.

'Our next hurdle'

In one of his first messages, Ellsworth typed on a laptop computer: "I'm going to be outlining steps for our recovery here ... the day goes on.

"First – get your e-mails. Let's have some form of communications with our customers. Not to make the crisis down here any less than it is – even as I type this, I know Kenny's house is the feature of 'CBS News.'

"But for Ellsworth Bikes," he added, "our next hurdle is to resume business to stabilize the impact to cash flow."

Cash flow became a recurring theme over the next week, and Ellsworth spurred his employees to begin working their phones at home.

"The No. 1 priority," Ellsworth told his employees in one online chat session, "is to contact every dealer, every distributor and take orders and deposits, so we can resume shipping and collecting money. ... cash flow is CRITICAL."

Ellsworth assumed responsibility for finding a way to supply power to his company until San Diego Gas & Electric could install new power poles and restore service.

He decided to buy two 5,000-watt power inverters, devices that change DC power from a battery into conventional AC power. The battery supplying power to the inverter needed to be recharged, so Ellsworth connected each inverter to one of his trucks and recharged the batteries by letting the trucks idle for 24 hours a day.

At \$400 each, the inverters were an inexpensive solution. With power restored to his offices, Ellsworth turned to restoring his company's computer network.

The computer servers he had removed held the company's electronic business records and operated the computer network that Ellsworth employees needed to order parts and supplies, track inventory and pay bills.

Getting the servers working would enable them to work from home until the company could resume business.

Ellsworth re-installed the servers and managed to get the company's network operating again by late Wednesday, Oct. 24. But power glitches and other problems caused the system to crash repeatedly in the ensuing weeks.

Ellsworth also found a way to work around the loss of telephone service, which lasted through December, by using Skype, a software program that allows users to make telephone calls over the Internet. He used Skype to route the company's phone calls to his employees' cell phones.

“He was like Captain Kirk on the bridge of the starship Enterprise,” said Klehm, the business partner who shared the Oceanside beach house with Ellsworth for several days.

“I'm watching Tony Ellsworth basically strong-arm his entire business,” Klehm said. “He's managing customer inputs, managing production, figuring out how to ship parts, how to get water, how to get power.”

'Lost momentum'

But Ellsworth said the time he spent restoring his business in the months since the fire has kept him from working on his company's future business strategy and new bicycle designs he had planned to introduce in 2009. It took weeks for utility crews to restore power and months before regular telephone service was restored.

“From the standpoint of business infrastructure, I expect it will be six months before we're back to normal,” Ellsworth said. “From a sales standpoint, we've lost momentum that's going to hurt us all year long in terms of meeting our goals.”

In this respect, the fire struck at a bad time, because Ellsworth Bicycles was still following up on business leads and processing orders from the Interbike Expo in Las Vegas, one of the industry's biggest trade shows.

“In terms of business profits, I'm thinking we're not going to get back the ground we lost, particularly after the trade show,” Ellsworth said.

Keeping everything up and running became a full-time job.

“We had constant, chronic problems of stable power, chronic problems with our Internet service and chronic problems with our phone serve,” Ellsworth said.

Such problems underscore the importance of planning for business disruptions, said John Morency, a Gartner Inc. research director for disaster recovery in Billerica, Mass.

“The ultimate goal that you want is for everyone to have some sense of what's required and what they need to do” after a disaster, Morency said. Part of that calls for identifying an off-site “crisis command center,” where a company's key players can take the steps needed to resume business and ensure communications with customers, business partners, banks and emergency management authorities.

In retrospect, Ellsworth said, developing a disaster-recovery plan for his business makes a lot of sense.

He wants to investigate the feasibility of installing solar panels, or perhaps an array of batteries, for backup emergency power. He's wondering what firefighting equipment would be required to defend his property from another wildfire.

“My next step would be to do an off-site terminal server capability,” Ellsworth added. “So if something happened here,” employees could still log onto the company's business network from their home computers.

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