



Human Capital Disasters

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As covered in our June issue, even with the best preparation, disaster can strike, and it only becomes worse without preparation.

So what about small and mid-sized businesses (SMB)? How well-prepared are you for when disaster strikes? Do you know how to prepare?

Natural Disaster

No one can know with exact precision what Mother Nature will do. Weather and other metrological events are beyond such human predictions. In many instances, scientists offer their best guess as to what may or may not happen.

From unexpected flooding to tornadoes to earthquakes, SMBs must be aware of these natural disaster events and take precautionary actions. Everything from tornado drills to buying insurance is part of those precautionary preparations.

Manmade Disaster

In business, there are many disasters that are manmade or termed as accidents. 9/11 is probably the most notable of these recent manmade events.

Other such manmade disasters include fires from overloaded electrical

outlets to employees or customers being injured on your business property. Insurance and employee training can assist you in reducing the liability from these manmade disasters.

PR Disaster

Social media has created another potential for disaster. Possibly, an unhappy customer tweets about your poor customer service. This Tweet spreads like wildfire, and suddenly you are putting out more than one fire.

Disney, well-known for its high-performance culture, just recently attempted to get ahead of a PR disaster. Management announced the hiring of foreign replacements and asked soon-to-be-laid-off employees to train their replacements. This really disastrous executive leadership decision has permanently tarnished the “Magic Kingdom.”

Online reputation is a new manmade PR disaster. For large to small businesses, there is monitoring software that can locate those negative comments. Of course, as in most proactive actions in business, there is a cost to ensure your online reputation stays intact.

Talent Management Disaster

Currently, there is another looming disaster for SMBs: a lack of qualified employees. With Baby Boomers turning 65 years old at a rate of 10,000 each day, good talent will become harder to find. Even with some Baby Boomers continuing to work, the next 19 years will strain the already depleted qualified workforce.

Recent research from the most recent 18th Annual Global CEO Survey from PricewaterhouseCooper suggests skills are at the top of a CEO's talent agenda with 81 percent increasing the range of skills needed to be successful. This same survey revealed that nearly half of the family businesses showed increased apprehension about recruiting skilled staff. The report went on to state that 61 percent of these family-owned businesses saw retention of skilled employees as a key issue that must be addressed in the next five years.

According to Gallup's 2013 *State of the Global Workplace* report, there is a lack of available talent. Additionally, only 13 percent of the workforce is actively engaged in the currently improving job market and economy. This will only further fan the flames of a looming talent management disaster.

Training and development, including coaching, is a growing industry. Bersin reported that in 2014, training alone in the U.S. amounted to \$70 billion. Worldwide, over \$130 billion was directed to training. The Association for Talent Development (ATD), formerly known as the American Society for Talent & Development (ASTD), revealed training, development, and coaching in the U.S. accounted for \$164.2 billion in 2012 research.

In spite of all the learning research, training still does not deliver the necessary return on investment (ROI), another disaster. Part of the reason for

this failure to deliver a positive ROI is the belief that training offers a quick fix as to what ails a business. Yes, it may be a quick fix but, in many instances, not a sustainable solution. This is why the ROI for training is low to non-existent.

Training and development research suggests the jump in training is due directly to the time frame necessary to take a seasoned professional and make him or her fully productive (engaged). For example, Bersin by Deloitte reports that in the oil and gas industry, there is a demand for 60,000 petrochemical engineers, yet only 1,300 graduate annually from U.S. schools. Training is now returning to the oil companies to make up the difference.

Cyber Security Disaster

Every day, it seems we are hearing about another cyber-attack. From Target to the Veterans' Administration to our own federal government employees, cybercriminals are wreaking havoc and costing billions of dollars.

According to Ron Bush of Ron Bush Consulting, data breaches occur in the U.S. alone at the rate of more than two each day, the majority of which are in the SMB market. The Ponemon Institute released its annual *Cost of Data Breach Study: Global Analysis* in May of 2015 with this significant finding: the average consolidated total cost of a data breach is \$3.8 million, a 23 percent increase since 2013.

When extrapolating these large numbers, each data breach for SMB is \$200 per record stolen. This is why big companies can afford a security breach. CBS News reports that when everything is said and done, the impact to their revenue is less than one percent.

However, for SMBs, cyber security can be far more costly than their next tsunami disaster. Old virus and malware software is often outdated. Bush says to ask yourself these disaster questions:

- Do you have the money to clean up the mess when your data is compromised?
- Do you have the budget to lose a third or more of your clients when data that you are supposedly protecting is accessed by cybercriminals?
- Do you have the budget to withstand the negative press when your employees and customers read about your security breach?

Technology Disaster

Smart devices continue to impact SMBs. Buyers are changing. Having mobile-ready websites is becoming a necessity and no longer a luxury. When these sites go down, revenues are lost; customers are ticked off; and many, many other problems are created.

Additionally, there is the issue of bringing your own device and internal security. Are those devices safe from cyber-attacks? What virus and malware programs are installed?

Economic Disaster

Many SMBs are still recovering from the Great Recession of 2008 that continued into 2010 and some say still continues. Economists such as Brian Wesbury of the Ashbrook Center at Ashland University compare the economy to an overworked race horse.

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The private sector economy is the racehorse that drags the government economy of the dead horse. Eventually, the race horse is turned into a plow horse. SMBs have no control over the economy. All they can do is to plan for those “what if?” moments and, when necessary, respond in a proactive manner to disasters such as 9/11.

Market Change Disaster

As noted earlier, technology and the economy have changed the market. When SBMs engage in reactive behaviors, these changes can be a disaster.

Peter Drucker said the purpose of business is marketing and innovation. Technology has forced innovation. For example, 10 years ago, people were not shopping for cars or homes on the Internet. Today, they do.

Some SMBs view this as a disaster because they have not innovated with the market changes. Their marketing is still the traditional product-based instead of education-based.

Another change in the market that has been viewed as a disaster by some SMBs is the educated buyer. Many firms fear an educated buyer instead of embracing him or her. SYMS Corporation embraced an educated customer with this marketing copy: “An educated customer is our best customer.”

Lawsuit Disaster

The U.S. is a litigious society with over 15 million civil cases filed annually. Possibly, this high number of lawsuits is because 80 percent of the world’s lawyers live in the U.S.

Intellectual property lawsuits increased by one third from 2010 to 2011.

With the Internet, intellectual property is up for grabs, especially when busy SMB owners do not monitor this realm of their operations.

Filing a lawsuit or responding to an employee lawsuit can be very expensive. According to the Equal Employment Opportunity Commission (EEOC), within the last five years, six out of 10 employers have faced an employee lawsuit

Even though in 2013, the number of charges filed with the EEOC decreased by 5.7 percent in comparison to 2012, monetary rewards were the highest ever at \$372.1 million. The average cost for an out-of-court settlement was \$40,000.

Government Compliance Disaster

In the past, government compliance was not as intrusive as it is today. Recent communication from the Environmental Protection Agency about regulating water is creating considerable concern for farmers and even landowners. Today’s SMB must be aware of how government compliance can be a disaster for his or her business. This is probably the most challenging disaster because it changes with administrations; can be driven by small, outside groups; and is highlighted by mainstream media.

Paul Kennedy of Legal Shield shared that government compliance has extended into security or data breaches. The law requires written notification of the data breach and what actions are being taken to ensure a repeat breach will not happen. In Texas, this notification includes states without data breach notification. Imagine the mailing costs to your customers and even vendors? Can you afford such a disaster?

Yes, disaster can strike your business if you are unprepared. By being aware of potential disasters, you can prepare yourself and your business to withstand the ensuing floods. **N**

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