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# SMEs and climate risk – perception, experiences and responses

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Centre for  
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Economics and Policy



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## Our research questions

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- **Business continuity planning as an entry indicator to climate adaptation?**
  - Are SMEs preparing for current risks?
  - Are SMEs adapting to climate change?
  - Does recent disaster experience matter?
  - What information sources are being used by SMEs?
  - What does this tell us in terms of addressing adaptive capacity???
  
- **Context: UK Climate Change Risk Assessment 2016 & Living With Environmental Change Report Cards 2016**



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## Importance of SMEs



- Small businesses accounted for 99.3% of all private sector businesses at the start of 2015 and 99.9% were small or medium-sized (SMEs).
- Total employment in SMEs was 15.6 million; 60% of all private sector employment in the UK.
- The combined annual turnover of SMEs was £1.8 trillion, 47% of all private sector turnover in the UK.

## Starting points



- SMEs have very **low adaptive capacity** (Frontier 2013)
- Most businesses who have **Business Continuity Management (BCM)** plans report a wide range of benefits. However, many businesses do not develop these until affected by an **extreme weather event**. Smaller businesses in particular are less likely to have BCM plans. (UKCCRA 2016)
- A recent survey conducted by AXA and UNEP indicates that a large proportion of SMEs feel vulnerable to climate change impacts: **78% of SMEs believe that climate change** poses a long term risk to their business, **but only a quarter have implemented adaptation actions**. Fewer than **half the SMEs surveyed say that they follow national or local government recommendations** on managing climate change risk, while a similar proportion say they participate in local or city planning efforts on resilience. **Fewer than one in three share good practices with peers**, and **fewer than one in four apply for funding** or interact with the government or wider society on climate change (AXA and UNEP 2015).

## Our evidence base



- Federation of Small Businesses 2015: Severe Weather: A More Resilient Small Business Community – Survey of 1,199 SMEs across the UK
- In-depth case studies in Braunton, UK – interviews with 7 SMEs affected by flooding, utilizing a SME resilience toolkit developed by CREW project



## Preliminary findings: Experience and perception – current risks



66% of SMEs surveyed were negatively impacted by severe weather between 2012 and 2014.

Ranking of impacts:

1. to customers and staff (45%)
2. to supply chains (32%)
3. to processes (17%),
4. to premises (15%),
5. to demand (14%)

93% of the SMEs believe that severe weather poses a risk to some part of their business.

## Preliminary findings: Action



59% of the SMEs surveyed did not have a business continuity plan in place to deal with extreme weather conditions.

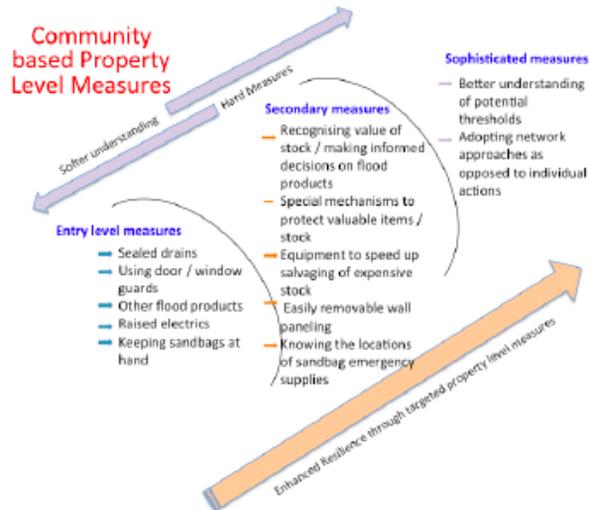
Only 8% have taken at least one measure to mitigate the risk of severe weather.

## From the interviews: BCP versus action?



- **All SMEs interviewed had developed some physical strategies to improve resilience after the recent flood**
  - Flood barriers at doors
  - Flood resistant furniture
  - Stock not being kept in vulnerable areas
  - Easily removable wall panelling
  - High electrical sockets
  - Sealing drains
- **There are examples of creative way to mitigate risk**
  - Designing an height adjustable table
  - This might also lead to some opportunities
- **BCP**
  - Only one SME had formal business continuity plan (bigger SME)
  - Those without formal plans had cognitive strategies of what they would do
- **SMEs agree that developing resilience needs to be a collective responsibility amongst all businesses on Caine Street**

## Preliminary findings – BCP continuum?



## From the interviews: Support



- **Practical and emotional support at community level is important**
- **Support came from:**
  - Other SME's on Caine Street
  - Other SME's in Braunton
  - Family
  - Customers
  - Key figures visiting the area
- **Perceived lack of support from utility companies, local government, central government agencies**



## Lack of understanding as a barrier?



Which factors would encourage you to become more resilient to severe weather?

- ‘understanding the extent to which my business is at risk’,
- ‘understanding what plans I can make to help my business adapt’, and
- ‘knowing what specific products are available to help increase my resilience’.

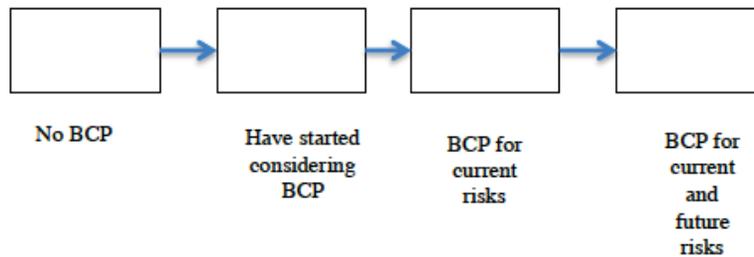
## But very low use of information



- 56% of the firms with a BCP that includes severe weather (about 15% of total) use external information sources:
  - 75 companies use Environment Agency data + 6 for SEPA in Scotland and 2 for Northern Ireland River Agency
  - 60 companies use public media
  - 51 companies use local authority information
  - 18 companies use UK Climate Projections
  - All other info sources are used by less than 1% of companies surveyed.
- Despite several initiatives by organisations such as the Climate Ready Team of the Environment Agency, and several strategies by local governments to engage small businesses there is still a knowledge gap.

## BCP as an entry indicator for adaptation?

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## Climate change concerns

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- Concerned about climate change?  
= 132 companies (11% of total) state that climate change is a major risk, compared to 212 (17.7%) who do not consider it to be an issue. 89 respondents (7.4% of total) 'don't know.'
- Does past experience shape concerns about climate change?  
= Across all respondents that had previously experienced a loss those who say 'I do not consider climate change to be an issue' always outnumber (by a very small margin) those that consider climate change as a major risk.
- Does concern about climate change trigger action?  
= 132 say that they need to take urgent action on climate change, but of those 77 don't have a BC plan, a further 11 have a BC plan that excludes severe weather, while 3 don't know.
- Does concern about climate change trigger search for information?  
= no clear picture emerges



Thank you for your attention.

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