



Australia

Small businesses in Australia and their capacity needs under a changing climate.

CLIMATE CHANGE INTRODUCES A VARIETY OF HAZARDS INCLUDING bushfires, droughts, flooding, storm surges and rising sea levels that will likely affect the supply and production chains of Australian small and medium enterprises (SMEs). These affects consist of business interruptions, increased investment or insurance costs, consequences on employment, property damage, and declining financial measures (value, return and growth).

Building resilience to business continuity

Small businesses comprise 96 percent of all private businesses in Australia and play a significant role within social systems. These businesses provide employment, goods and services, and tax revenue for communities. Small businesses make a significant contribution to the Australian economy.

Existing characteristics of SMEs and the environments in which they operate are critical to enhancing the sector's capacity to adapt to climate change. These characteristics include: relationships between SMEs and support organizations; relationships within support organizations; the capacity of SMEs to use their resources to build resilience into business continuity; SMEs' perceptions of climate risks; and power struggles between support organizations. Unfavourable combinations of these characteristics had the potential to constrain the choices available to SMEs in responding to climate change and related threats.

For example, many non-government organizations (NGOs) are dependent on government grants to offer support programs, such as business advice. The tightening of government funding often hampered the extent of services that could be offered to SMEs. In addition, government agencies funding climate risk reduction programs such as the Federal Government's Attorney General's Department (e.g., clean-up and recovery grants) have limited formal mechanisms for monitoring and evaluating those initiatives, and this reduces the opportunity to improve future programs.

Diversifying markets and addressing drivers of vulnerability

Many of these characteristics largely occur on an external level to the SMEs themselves and were found to constrain the ability of small businesses to adapt to the challenges posed by climate change. Such contextual characteristics have been largely overlooked in formal government-led programs that aim to build business resilience. These programs have tended to be reactive, focusing on business recovery during and after disasters rather than on altering the conditions that generated vulnerability of small businesses through planned prevention. The capacity of SMEs to use their resources to build resilience into business continuity, together with their perceptions of climate risks, are also important considerations.

These are the key findings of a recent study conducted by the Institute for Sustainable Futures at the University of Technology, Sydney (UTS). The study, funded through the National Climate Change and Adaptation Research Facility (NCCARF), examined the adaptation capacity needs of the SME sector in Australia. It found that limited knowledge exists both in Australia and internationally on the capacity needs of small businesses to adapt to climate change.

Planned interventions to moderate harm and adapt to expected impacts, for example through adopting business continuity plans, diversifying markets, introducing policy to support vulnerability reduction of SMEs to climate change offers one such way to deal with this challenge. A significant adaptation strategy that emerged from the results of the UTS study was that diversification of markets (i.e., through products/services, customer market, geographical areas) was seen by SMEs as one form of an important adaptation strategy to future climate risks. The success of future efforts to build the capacity of SMEs to adapt to climate change will depend on how they address the processes that limit the ability of SMEs to pursue adaptive choices that they value. ■



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