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We're first responders too!

Small business owners' contributions to shared responsibilities in disaster response

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Editorial Introduction

As part of their shared responsibility for disaster response and recovery, all Australian governments expect small businesses to prepare for, respond to and recover from natural disasters while supporting broader objectives of community recovery and resilience. Yet current disaster policy provides this business category with generalised guidance about how to achieve this goal. This briefing paper explores the reality of implementing shared responsibility from the perspective of small business owners. It finds that despite having few resources to mobilise in a disaster, small business owners are responding to these repeated events but carry a disproportionate burden of obligations and costs across business, home and community recovery.

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About the study

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A small business is one employing fewer than 20 employees (Australian Small Business & Family Enterprise Ombudsman [ASBFEO], 2022a). Small businesses are differently resourced compared to medium and large firms. Generally, they are independently owned and managed by one or two people who contribute most of the operating capital and who make all business decisions (Gilfillan, 2015). Management structures and processes are simple, allowing quick reactions to emerging issues (Herbane, 2015).

Some 97.5 per cent of businesses in Australia are small (ASBFEO, 2022a). Of this number, around 88 per cent are either non-employing (sole traders) or microenterprises (1–4 employees) (ASBFEO, 2022b). Contrary to their smallness, the sector makes a significant contribution to the country's gross domestic product (GDP), contributing 33 per cent of Australia's total GDP in 2020-21 (ASBFEO, 2022a), in addition to taxation revenue. Small businesses also employ 42 per cent of the private sector workforce (ABSFEO, 2022a).

Australia's disaster risk management policy, the National Strategy for Disaster Resilience (NSDR), emphasises shared responsibility in managing disasters to help achieve disaster-resilient communities (Council of Australian Governments [COAG], 2011). While conceptually, shared responsibility is concerned with the distribution of obligations for disaster preparedness, response and recovery among different groups and sectors (Maguire et al., 2022), it lacks clarity around the specific roles and responsibilities across state actors (federal, state and local government) and non-state actors (business, civil society or individuals) (McDonald & McCormack, 2022).

In a natural disaster, small businesses are required to be their own first responders—prepared, self-reliant and adaptative. Australian governments assume that business owners understand their disaster risks and have the resources to formalise and implement disaster response plans to mitigate all-hazard impacts to their business.

Business disaster planning and insurance are key tools identified to fast-track recovery. Planning helps businesses restore their socio-economic functioning in disaster-impacted communities (COAG, 2011). To explore the reality of shared responsibility, this briefing paper uses data from 11 in-depth interviews with small business owners in South East Queensland who responded to a natural disaster between 1999 and 2017 (Jess, 2022).

Background

Each business category of non-employing, micro and small business was represented in the study. The maximum workforce of these small businesses was 10 employees, with the majority employing staff on a casual basis. Each business owner had lived and worked in hazard-prone South East Queensland for many years. Before shifting to self-employment, most had worked as an employee.

Unsurprisingly, these business owners reported exposure to multiple natural disasters while working. However, business participants felt they were experiencing them more frequently, with the intervals between each event getting closer. These perceptions correspond with the findings of recent reports (Naughtin et al., 2022; Royal Commission into National Natural Disaster Arrangements, 2020). Despite these business owners being familiar with the type of place-based risks they face, several owners said recent disasters were changing in complexity and scale.

Planning for a Potential Hazard

The majority of business owners had completed risk assessments and developed disaster, fire and flood plans, with five owners having a business continuity plan. Consistently, the study participants reported backup strategies to store business records, including cloud-based options, with most having emergency kits and supplies. Longer term, initial asset decisions supported disruptions: owning multistoried workplaces, having several worksite entry and exit points and buildings designed with disaster resistance materials. Such mitigation measures permit immediate relocation of assets to convenient, elevated storage space, ease of evacuation and lessen structural damage.

Even for the sole business owner without a response plan, cognitive planning was apparent, with the owner making verbal arrangements with another business to store costly supplies in the event of a disruption to secure ongoing trading. Even if planning was in place, business owners found their efforts may prove futile when the scale of disruption is unprecedented.

Insurance is promoted as an important risk transfer measure in continuity planning and disaster recovery (COAG, 2011). It is a form of individual responsibility. Business owners in this study indicated financial institutions' contractual arrangements and occupational regulatory requirements influenced insurance uptake, while qualifying insurance was largely unavailable or unviable for small businesses. Study participants said running a business in uninsurable communities, the inadequate coverage of an insurance policy and the high cost of premiums posed disincentives to purchase insurance. Maguire et al. (2022) and Cioccio and Michael (2007) have reported similar observations.

Business owners accept insurance is important for loss mitigation; however, few could secure cost-effective policies. Unaffordable and unavailable insurance left some owners unable to lease or sell their commercial properties or businesses. Hence, their resolve was to either close down the business and lose livelihoods, or continue operating through a cycle of natural disasters/damage/repair and regeneration and rely on business and personal funds and/or government-subsided low-interest loans to support recovery. In some instances, business owners became enslaved to their businesses while overcoming disaster-induced debts. Without insurance, one owner sold retirement assets to restore damaged premises, restock and resume trading—a decision with significant implications for the owner's self-funded retirement. Scant guidance is paid in the NSDR (COAG, 2011) to addressing the wicked problem of insurance despite its central place in shared-responsibility policy.

Response Disaster Warnings

Responsibility for disaster risk information—including warnings—rests with Australian governments (AIDR, 2020). Release of warnings and disaster information acted as mental cues for business owners to contemplate their response plan. This process of pre-priming before the actual event has been confirmed in0 research on firefighters and sporting umpires (McLennan & Omodei, 1996). Business owners reported getting information from official media (e.g., government social media, weather apps), commercial sites, private Facebook accounts, neighbours and 'gurus' with local historical and geographical knowledge, but also trusted their own judgement and intuition.

Disaster warnings require interpretation and help business owners gauge the time available to complete a disaster plan. Execution times of between 24 hours and a week were indicated by business owners, reflecting the heterogeneity of business types and the logistics involved in completing tasks. Several owners had concerns with warnings—notably, the lack of meaningful place-based messaging, geographical specificity and having to rely on inaccurate flood maps.

Response in a Disaster

Consistent with their size and chiefly casualised workforce, when preparing to respond to a disaster, the business owners had few workers to mobilise. They prioritise protecting the safety of staff and customers as legally required when considering implementing their plan (*Workplace Health and Safety Act 2011* (QLD)). Being exposed to repeated disaster events, these business owners shared a growing inability to respond adequately without relying on business finances and social ties to complete a response plan and clean-up. These business owners found their lack of resources and competing obligations act as impediments to effect responsibility-sharing. Notably, the NSDR (COAG, 2011) remains silent on the practical realities of small businesses' capacity to remain adequately resourced for managing repeated and varying natural disaster scales.-

Business Continuity

Although the NSDR states business continuity during a disaster is expected (COAG, 2011), in practice, business participants found it problematic to achieve. Ongoing functioning was hindered by building damage, unsafe workplaces, external hazard conditions, staff inability to get to work and power failures that prevented lighting, use of electrical equipment, computers and electronic transaction facilities. Although generators are encouraged to mitigate power losses, some business owners stated ownership was neither financially viable nor practical in shopping areas. Power outages lead to business closures, lost revenue, client hostilities and reputational damage from closing.

Small business owners are ill-equipped to shoulder extra burdens arising from utility providers and individuals with mutual obligations to safeguard against the risks posed% by disasters (COAG, 2011).

Social Resources

Social ties proved vital to business participants' pre-disaster impact securing of properties and asset evacuation and post-event impact clean-up. One business owner said 60 volunteers mobilised to help move A$250,000 of stock and equipment three times over a 24-hour period as flood waters rose. Another owner reported hundreds of volunteers committed time and energy to clean up a worksite, with one using his qualifications to hire equipment to move debris and silt. Social resources meant access to a reserve of social infrastructure not usually available to business owners, acted as a protective factor against market exit and helped sustain the owner's emotional and psychological wellbeing during stressful conditions. All of these benefits have been confirmed in prior disaster and social capital literature (Aldrich & Meyer, 2015; Doern, 2016; Meyer, 2018).

While protecting and restoring their businesses, business owners reported similar responsibilities at their home. These tandem obligations have been raised in other research (Doern, 2016; Runyan, 2006) and compound business owners' financial, physical and emotional costs in a disaster. Beyond these dual burdens, business owners in this study retained their casual workforce and supported neighbours and relatives, illustrating a significant yet largely unacknowledged commitment to shared responsibility (COAG, 2011).

Adaptation Activities

Use of adaptation strategies by small businesses are poorly addressed in the literature. Exposure to a disaster will often lead to modifications in business operations, yet these changes are rarely mapped or reported. This study offers evidence of adaptation practices after a natural disaster. Ten of the 11 owners reported implementing measures to improve their premises such as overhauling business technologies and content management software for 24/7 access to business data, rewriting marketing plans to account for seasonal hazards, developing improvised mobile structures to guard against future inundations, and business diversification. Herbane (2015) found business maturity and recency in experiencing an acute business disruption can influence the uptake of protective measures.

Tenancy laws impact the type of adaptation activities a small business might implement. In this study, one owner-lessor of a commercial space introduced regular gutter clearing and investigated roof replacement. The tenant's intent was to lessen costs arising from their landlord's neglect of the structurally unsound and ageing building. Currently, landlords are largely able to avoid shared responsibility obligations for degrading building integrity and maintenance for disaster preparedness. Power dynamics also play out in landlord and tenancy agreements, with previous research highlighting that challenges with landlords can exacerbate poor disaster outcomes for business owners (Runyan, 2006).

Concluding Remarks

Findings presented here show that between 1999 and 2017, South East Queensland small business owners were engaged in business disaster preparedness activities consistent with their disaster management shared responsibilities. In the face of the region experiencing recurring and unprecedented natural disasters, small businesses will have tipping points for what they can accomplish as their resources and livelihoods are eroded by these high-consequence events. Focused attention examining the future sustainability of the small business sector is needed, as is greater specificity within government policy and support programs to help small business owners achieve their shared responsibility obligations.

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