

Building Business Resilience Project: Final Report



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The Greater Melbourne Regional Climate Change Adaptation Strategy is a community-led project supporting Greater Melbourne communities to adapt to a changing climate. It is supported by the Department of Environment, Land, Water and Planning (DELWP) and funded through the Supporting Our Regions to Adapt program.

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Executive Summary

This project aimed to develop and pilot resources for the business sector to help small - to medium-sized businesses in the South East Councils Climate Change Alliance (SECCCA) region assess climate risk, and do business adaptation and planning.

The project has four outputs:

1. The toolkit: [*Small business climate adaptation toolkit – A guide for small business owners to build climate-resilient businesses*](#)
2. [Case studies](#)
 - Food manufacturing
 - Professional services
 - Real estate
 - Industrial manufacturing
3. Literature review - [*Business sector climate risk assessment support: desktop literature review*](#)
4. Final report (this document)

Six findings emerged from businesses' feedback and input to the pilot project.

1. There is an unmet need for guidance for businesses adapting to climate change.
2. The Small business climate adaptation toolkit pilot worked.
3. The final toolkit was tested and improved.
4. There were some clear lessons from the businesses about climate adaptation:
 - businesses tend to focus on climate mitigation rather than climate adaptation
 - businesses with more mature governance processes require different tools
 - small to medium-sized enterprises (SMEs) are looking for this kind of support
 - businesses need a reason to start an adaptation plan
 - businesses involved want to understand the near future (i.e. one to two years, rather than what could happen in 2040).
5. Businesses suggested practical solutions to promote better adaptation and preparedness.
6. Businesses see an important role for councils in improving business resilience.

Each of these findings is detailed later in this report.

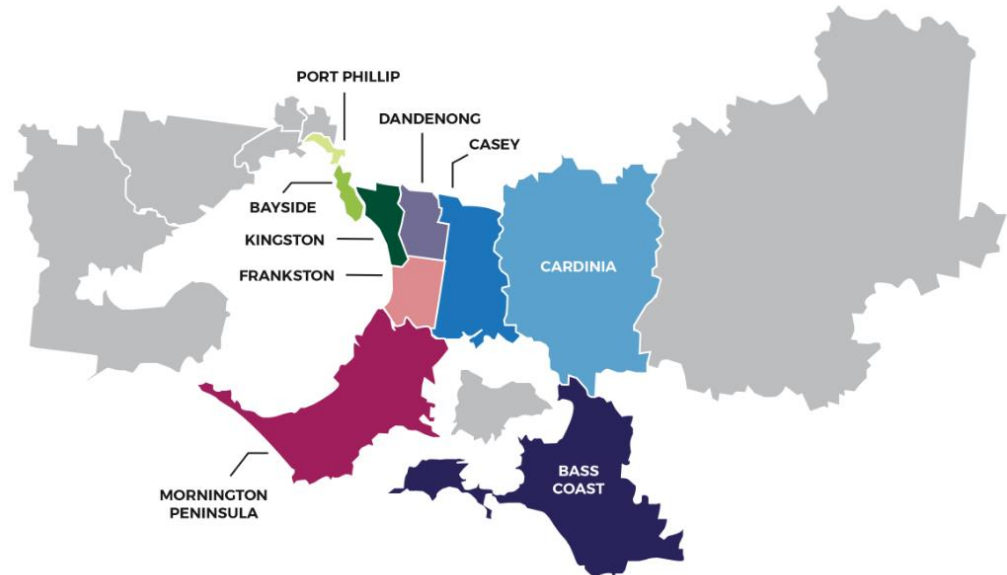
Six recommendations are presented for consideration by SECCCA, the councils in the region, and the State Government. Each recommendation is detailed in the report.

1. Promote uptake and use of the toolkit.
2. Expand the sectors, gather the inputs and use the insights to drive change.
3. Create educational-, compliance- or incentive-based levers for business use.
4. Build on the climate focus of the current Federal and State governments.
5. Regional approaches to supporting climate resilience work.
6. Following further use, consider improvements to the toolkit.

Project background

This project aimed to develop and pilot resources to help small to medium-sized businesses in the South East Councils Climate Change Alliance (SECCCA) region assess climate risk, and do business adaptation and planning. SECCCA (see map) is a network of councils committed to delivering high-quality, innovative projects and research programs at a regional level.

SECCCA is an incorporated association that collaborates with all levels of government to deliver regional climate change projects that benefit over 1 million residents in the south east of Melbourne. SECCCA advocates, educates and delivers targeted



projects to reduce greenhouse gas emissions and build resilience to a changing climate. The SECCCA vision is for the communities of the south east of Melbourne to be thriving, living a zero emissions lifestyle, and resilient to the changing climate.

Small to medium-sized businesses, like all segments of the community, are vulnerable to the impacts of climate change. Building on Sustainability Victoria's [Small Business Energy Saver Program](#), this project engaged SECCCA Councils to find a small number of businesses across four to five business sectors that are the most economically valuable to the SECCCA region. The full details of the Project Method are available in Appendix 1. The project helped these businesses to understand climate scenarios, their vulnerability to climate change impacts, and high-level adaptation options that could be implemented.

Project outputs

The project had four distinct outputs:

1. The toolkit: [Small business climate adaptation toolkit – A guide for small business owners to build climate-resilient businesses](#)
2. [Case studies](#)
 - Food manufacturing
 - Professional services
 - Real estate
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Project method

The project had 12 steps, which are detailed in Appendix 1.

Project findings

The following six findings emerged from businesses’ feedback and input to the pilot project.

There is an unmet need for business guidance to adapt to climate impacts

While the sample size is small, all businesses involved in the pilot believed that planning to adapt to climate change is important for their business. They all had a low understanding of how to adapt. Figure 1 shows the results from a pre-interview survey for the four businesses that evaluated the draft toolkit.

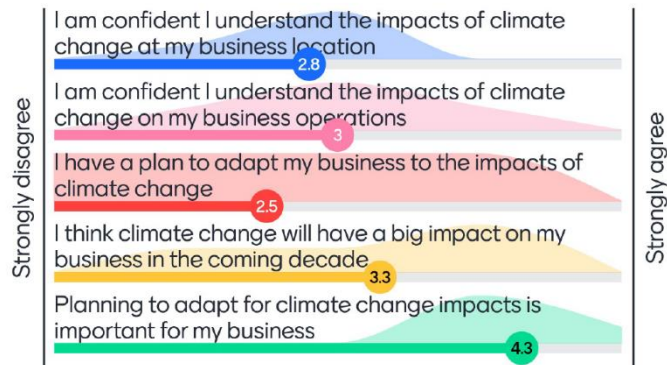


Figure 1. Pre-interview survey results for the four businesses

The Small business climate adaptation toolkit pilot worked

It was possible to create a useful framework for small to medium-sized businesses to use to adapt to climate change. The project used the best available information from a literature review and situational analysis, and some existing emergency and climate planning tools for businesses. We also tested a draft framework with a small, diverse group of businesses. Businesses understood the need for the framework. They gave excellent feedback on the draft seven-step SECCCA small business climate resilience process (Figure 2), improving it for sense and usability.



Figure 1: The small business climate resilience process.

Figure 2. Seven-step SECCCA small business climate resilience process

The final toolkit was tested and improved

The toolkit was vigorously tested and improved. The toolkit is ready to deploy, and in doing so we will learn more about the climate change adaptation needs of businesses and make further improvements to the toolkit. The final toolkit is an interactive PDF. Some businesses suggested how to improve the user interface should funding become available. Suggestions included a self-guided webpage, an app, or even an online

forms-based approach with drop-down options. Note that businesses suggested free-entry text rather than drop-down options as they wanted to consider and enter options that fit their business operations. They suggested drop-down options would too tightly constrain their thinking.

There were some clear lessons from the businesses about climate adaptation

There were lessons from the pilot about how businesses approached climate adaptation planning. These are worth consideration in future, related projects.

- Many businesses did not have climate change on their business planning radar. All **businesses** that tested the draft toolkit started interviews with a **focus on climate change mitigation rather than adaptation**. While climate professionals know about the difference between reducing emissions to address climate change (mitigation) and planning to cope with the impacts (adaptation), many businesses likely will not.
- **Businesses with more mature governance processes require different tools.** Businesses with an annual strategy process, a developed risk management process and capability, or a compliance management culture wanted to know how to fit their adaptation planning into their matured process. One business commented that they would like it to be like an ISO compliance process, with self-assessments, standards and auditors for compliance. Businesses with mature governance processes are likely to include risks to climate adaptation as an input into their strategy PESTEL process. One business commented that they wanted a process that *'gave the owners something tangible, the General Manager a number and the Manager a framework.'*
- **Small to medium-sized businesses are looking for this support.** One business commented that most of the resources available to support business to adapt to climate change is designed for big companies, and the resources are not for small to medium-sized businesses.
- **Businesses need a reason to start an adaptation plan.** They are very busy and operate with thin overheads. Unless they need to adapt or have been involved in a climate-related emergency event, (or are enabled in some other way), they will likely not find the time or motivation to develop an adaptation plan. Even in this pilot process, all the businesses acknowledged that they only skimmed the toolkit prior to the interview due to time constraints. All those interviewed noted that the biggest challenge for a small business is finding the time to go through a process like this. They would do it if there were some support (i.e. guidance or financial incentive) or requirement.
- As predicted, the **businesses involved want to understand the near future** and the climate adaptation needs they will have to plan in a decade or less. One commented that *'(small) business runs to what happens in the next 2 years and not in 2040.'*

Businesses suggested practical solutions to promote better adaptation and preparedness.

There are some short-term activities suggested by businesses that could start almost immediately. Some businesses suggested small grants, in-kind expert support or small additions to current climate mitigation programs as low-hanging actions. One business noted the funding approach taken in a recent energy performance upgrade program where small loans were made available against the property and repayments made via the rates.

Businesses also suggested actions to implement over medium- to longer-term time horizons. Many felt that – similar to the process for the introduction of electric vehicles – we need to start these actions now as they may take years to complete. Examples included regional-scale adaptations such as climate-resilient

transport hubs for goods, or local or regional business recovery hubs so impacted businesses could relocate and start to work as soon as possible following an extreme weather event.

Another example was building a climate adaptation compliance approach or regulatory framework. Conceptually similar to the compliance frameworks for waste and recycling, these would consider things like risks, costs, and human health. They would create a level playing field for the good performers, while requiring laggards to commit to climate adaptation. Businesses also suggested a standard template for a business case for SMEs. Most noted that businesses would only invest if the cost of inaction is higher than the cost of action.

Businesses see an important role for councils in improving business resilience

The small to medium-sized businesses involved in the pilot trusted their councils as information and service providers. They had a strong expectation for active service provision from councils to enable better climate adaptation. One argued that councils with strong climate adaptation support would become a destination of choice for small to medium-sized businesses, and good support would attract businesses into the LGA. Some of the expectations of, and suggestions for, the role of councils in climate adaptation are summarised here:

- A one-stop shop for climate change related information and support. Expand climate mitigation services (e.g. carbon footprint and energy advice) with adaptation services. They would expect their local council to be looking at climate vulnerability in the LGA and be able to provide robust advice on the predicted level of flooding (for example). Interviewees all thought this would be a great resource to have from the council.
- The businesses noted the need for planning to be more climate aware, and the councils should be thinking about zone planning for climate resilience.
- One business suggested competition driven by councils could be a good motivator. They suggested a local *climate adaptation score* along with a league table of how well small to medium-sized businesses in the areas are prepared for climate impacts.

Project recommendations

The following six recommendations for SECCCA, the councils in the region, or the State Government follow from the pilot.

Promote uptake and use of the toolkit

Use current SECCCA partners and sector peak bodies to promote the uptake and use of the toolkit. In doing so, it would be prudent to develop a vision for the tool. What is the next step with the tool? What change can it drive? As an initial step, consider a launch of the toolkit in early 2023 with small businesses and/or council officers with roles in supporting SMEs. SECCCA could run uptake sessions (e.g. *Build Business Climate Resilience Nights*) to build the capacity of councils to reach out to businesses in their LGA and promote the use of the toolkit. Note that the businesses involved in the pilot were all interested in discussing involvement in any future media-related activities stemming from the project. One even offered to create a short online video promoting the toolkit and small business climate adaptation.

Expand the sectors, gather the inputs and use the insights to drive change

This was a pilot and hence only able to cover a small number of businesses from a limited cross-section of sectors in the SECCCA region. SECCCA could develop an evidence-based platform for change by increasing the number of users, expanding the number of sectors, gathering the generalised adaptation options being developed (being mindful of the intellectual property belonging to the small to medium-sized businesses), and collating that information for insights. Patterns from adaptation options could be collated and supplied to SECCCA councils or government for use in larger-scale planning. Important economic insights could be

rolled up and the emergent patterns could be communicated to the State or Federal Governments for action.

Partners for an expanded rollout of the toolkit and insight collating could include the Victorian Chamber of Commerce and Industry (VECCI), local Chambers of Commerce, GSEM (Greater South East Melbourne), Economic Development officers in councils, SEMMA (South East Melbourne Manufacturing Association), or Sustainability Victoria.

Create educational-, compliance- or incentive-based levers for business use

Various levers will work with different small to medium-sized businesses. Some will act with better educational material about climate adaptation alone (which is a quick win). Others will need a compliance-based approach (which requires national or international guidance like the TFCD). A third group is likely to respond to incentives.

Incentives could include financial or other support to complete the toolkit and/or implement the subsequent adaptation plan. This could be done locally or regionally.

Another set of incentives could involve the insurance sector (via the Insurance Council of Australia). Perhaps businesses that complete this or another climate adaptation tool and implement the plan could receive rebates or reductions in insurance premiums. By having implemented a climate adaptation plan, businesses will have reduced their risk, and hence could qualify for a reduced insurance cost. In this circumstance, businesses would need to demonstrate implementation of adaptation plans.

Build on the focus of government

The recently re-elected Victorian Government has a strong and clear commitment to climate action, including creating a new Minister for Climate Action. Added to the commitment seen in the Regional Climate Adaptation Action Plans by DELWP, and the focus on climate by the newly elected Federal Government, this offers an unparalleled opportunity for SECCCA and councils to leverage action in the region.

Regional approaches work to support climate resilience

The regional level rollout of adaptation planning projects and planning makes sense for two reasons. First, it continues the strong regional emphasis current in the regional Adaptation Action Plans. Second, the businesses in the pilot all suggested ideas or solutions that were regionally focused. For example, decentralised transport nodes for regional adaptation were raised more than once. A regional focus enables sharing of local ideas and approaches that work and builds regional networks for climate resilience.

Following further use, consider improvements to the toolkit

While the toolkit is ready for deployment now, following further use, feedback should be sought and improvements made to increase usability of the toolkit. The toolkit should be considered an adaptive asset and improved and updated dynamically with use, regardless of the further format (e.g. PDF, Webpage or App). It has been built for an SME cohort with little or no knowledge of, or interest in, adaptation planning. Over time, this situation will change and the toolkit will need to mature in line with the needs of businesses.

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Document Control

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8-12-22	0.1	<i>SiA Doc created with initial content based on pilots and project</i>
9-12-22	0.2	Reviewed and edited by ST
13-12-22	0.3	Updated by AB. Sent to GL
20-12-22	0.4	Updated following input from SECCCA

Approvals

This document requires the following approvals.

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CLIENT

South East Councils Climate Change Alliance (SECCCA)

Audience

The audience for this document is SECCCA staff and project sponsors.