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Involving the private sector in urban flood response agenda:

Exploring the role for Area Business Continuity Planning

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Private sector involvement in flood response

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Sendai Framework of Action

Priority 1: Understanding disaster risk

Understanding of disaster risk in all its dimensions of vulnerability, capacity, exposure of persons and assets, hazard characteristics and the environment

Priority 2: Strengthening disaster risk governance to manage disaster risk

Strengthening disaster risk governance for prevention, mitigation, preparedness, response, recovery and rehabilitation

Priority 3: **Investing in disaster risk reduction for resilience**

Public and **private investment** in disaster risk prevention and reduction through **structural and non-structural measures**

Priority 4: **Enhancing disaster preparedness for effective response and to "Build Back Better"** in recovery, rehabilitation and reconstruction

Composition of private sector: SMEs as the largest group!

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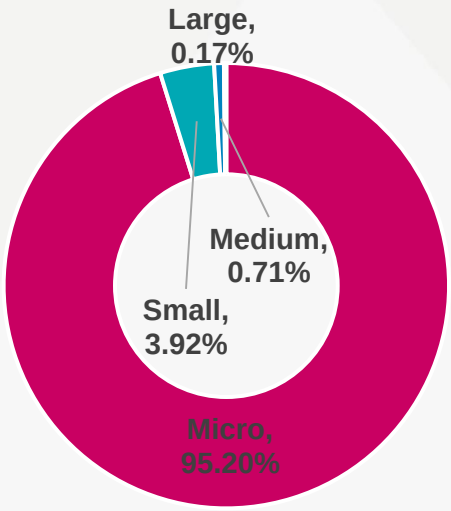
- **In the UK**



60% of private sector employment

47% of turnover generated

(BEIS, 2016)

- **In China**

97% of enterprises

80% of employment

60% turnover generation

(OECD, 2016)

– 11.7 million Small and Micro enterprises and about 44.4 million self-employed entrepreneurs

Why do they matter?

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Increased competitiveness

Significant contribution to the economy

Vibrancy and economic revival of cities / regions

More equal distribution of income and wealth

Innovation and technological progress

Creation of new jobs

Satisfying demand for niche products and services

A central component of community cohesion

Their individual contribution may be small
But collectively make a massive difference!

Flooding and SMEs – Why SMEs?

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- Increased vulnerability of SMEs
  - **Resource constraints / perceptions / lack of coping measures**
  - **Often affected disproportionately hard when compared to large businesses**
- Not adequately prepared to cope up with the risk of flooding / extreme weather
  - **70% SMEs in flood risk areas are not concerned re: the risk (Crichton, 2006)**
  - **90% of small businesses do not have adequate insurance cover for their property (AXA Insurance UK, 2008)**
  - **Only about 30% have a business continuity plan (Woodman, 2012)**
- Often affected in two fronts; as local residents and business owners

What if they are affected by flooding?

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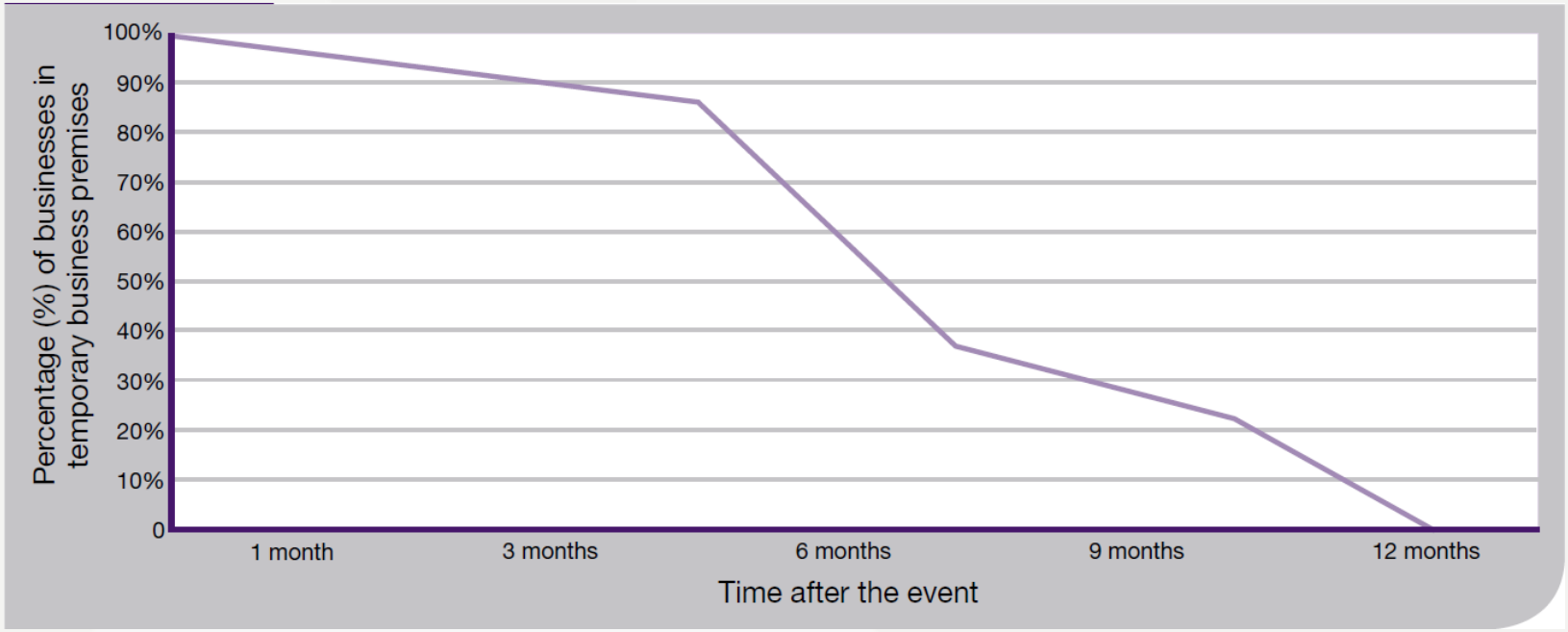

Wedawatta et al (2012)

Many of the Tsunami affected SMEs in Sri Lanka have not reached pre-disaster levels even during the medium-term (6-7yrs)

Dasanayaka & Wedawatta (2014)

In Bangladesh, regular flooding in rural areas has forced SME owners out of business and requiring to migrate to cities seeking employment

Kulatunga & Wedawatta (2013)

Closed for business, we may not be back at all!

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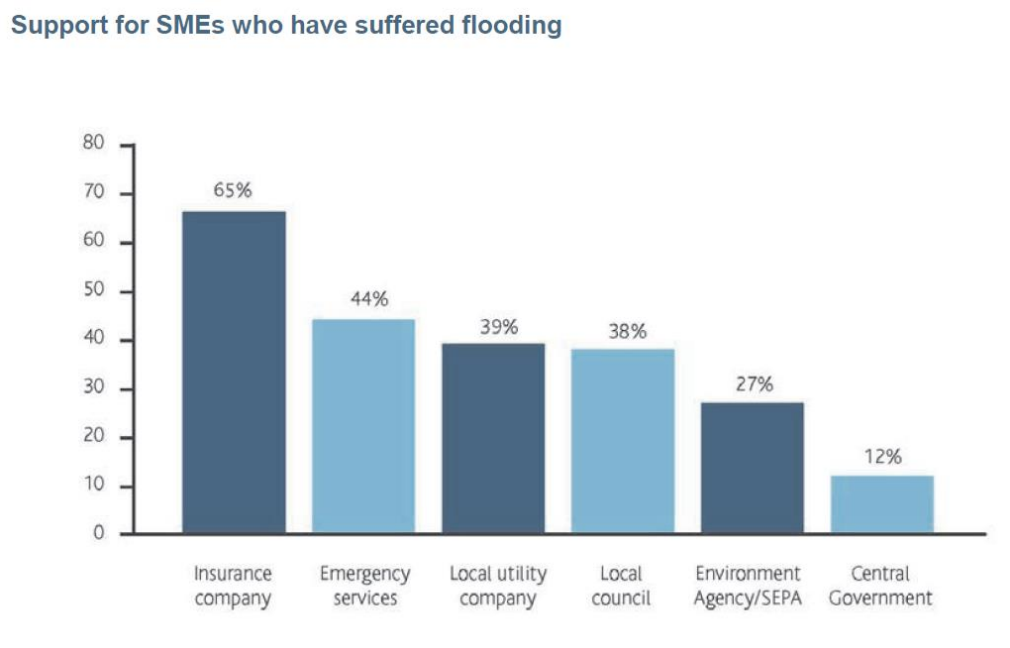
Feasibility of relying on insurance alone?

- Traditionally, used to rely heavily on insurance



ABI (2012)

- But dependency on insurance is becoming a risky affair!
  - **Cost / availability of insurance**
  - **Higher excess values after being flooded…**
    - For e.g. we noticed excess changes of

      £0, £10, 100

      ⇓⇓⇓

      £5,000, £10,000, £15,000
  - **Direction of FloodRE?**

What can they do?

- Some SMEs do of course!!!

- But not many, even after being flooded

Building back better…..??

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Like-for-like reinstatement	No	Resilient reinstatement	No
Repairing / replacing wall finishes	26	Resilient wall finishes	2
Repairing / replacing floor finishes	24	Resilient flooring / floor finishes	4
Replacing doors	19	Flood proof external doors	0
Replacing windows	12	Flood proof windows	1

Wedawatta et al (2012)

- Urgency to get back in business ASAP
- Not receiving proper advice (too little info vs too many options suggested)
- Cost issues / non-betterment
- Perceptions of risk

Individual response is good, but what if the area / region is affected??

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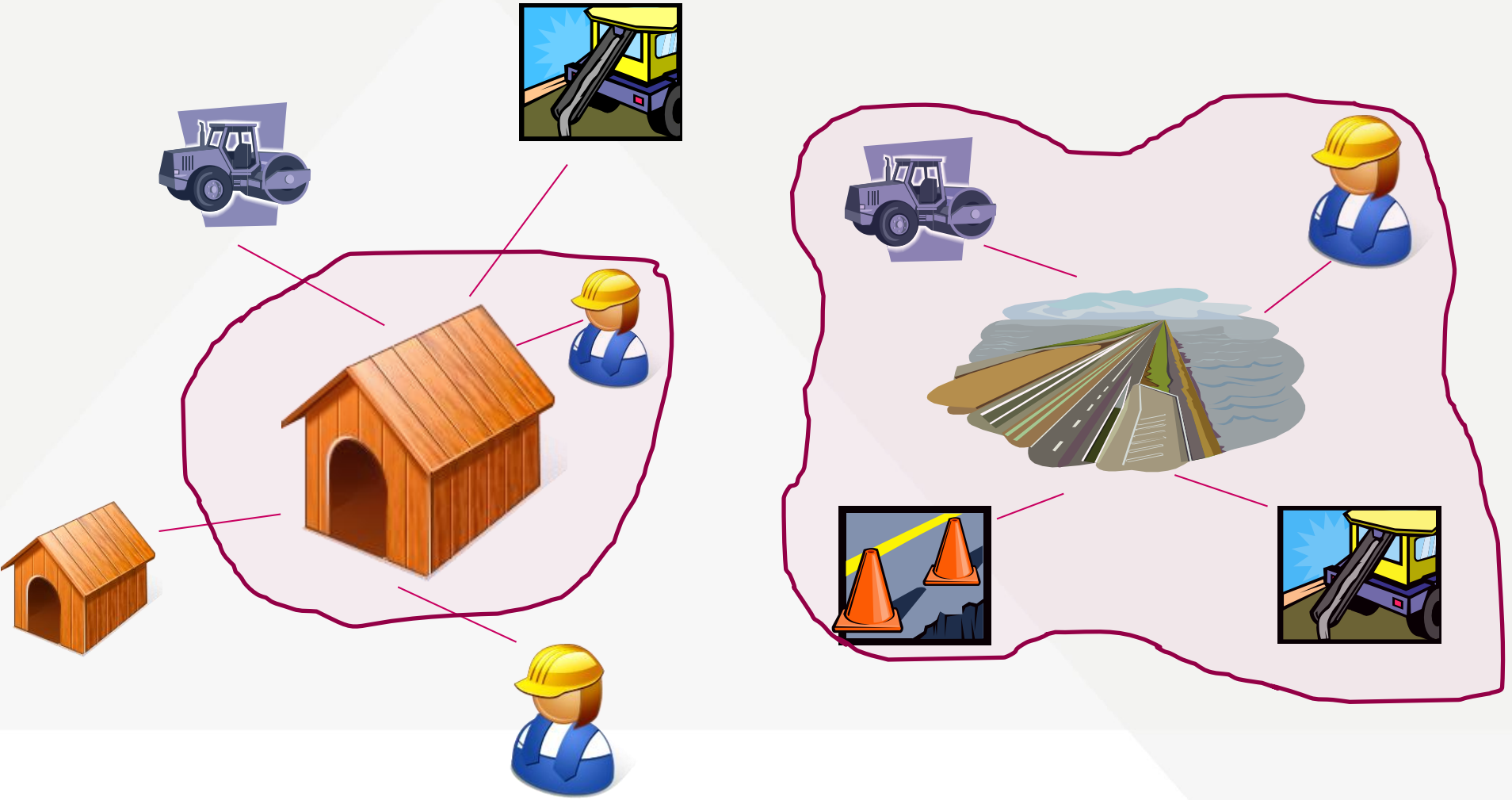

Challenges for SMEs

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- Resource constraints
  - **SMEs by definition are limited in resources!**
- Strategic priorities
  - **Conflicting priorities, where does flood resilience rank?**
- Shorter strategic horizons
  - **Over half of SMEs may not survive beyond 5 years!**
  - **Short-medium term business horizons**
  - **Perception that flooding may not strike back during their 'business life'**
- Accessing individual SMEs is difficult
  - **Both due to their sheer number and the presence of informal economy**
- Require right level of support, customized to the individual context

- **How can this be achieved?**

Area Business Continuity Planning

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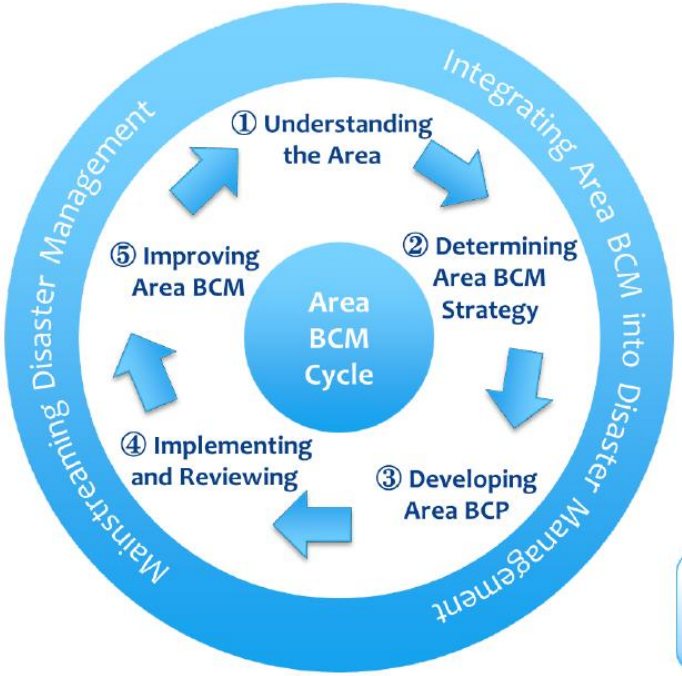
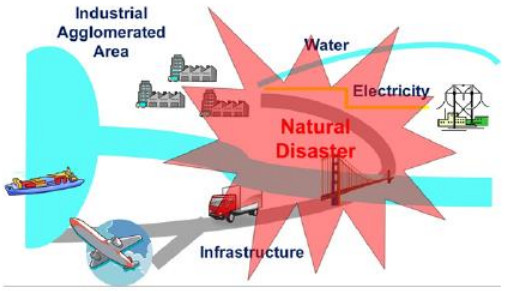


Knowing the Area

Determining Area BCM Strategy
Developing Area BCP



JICA (2015)

ABCP and Involving SMEs…

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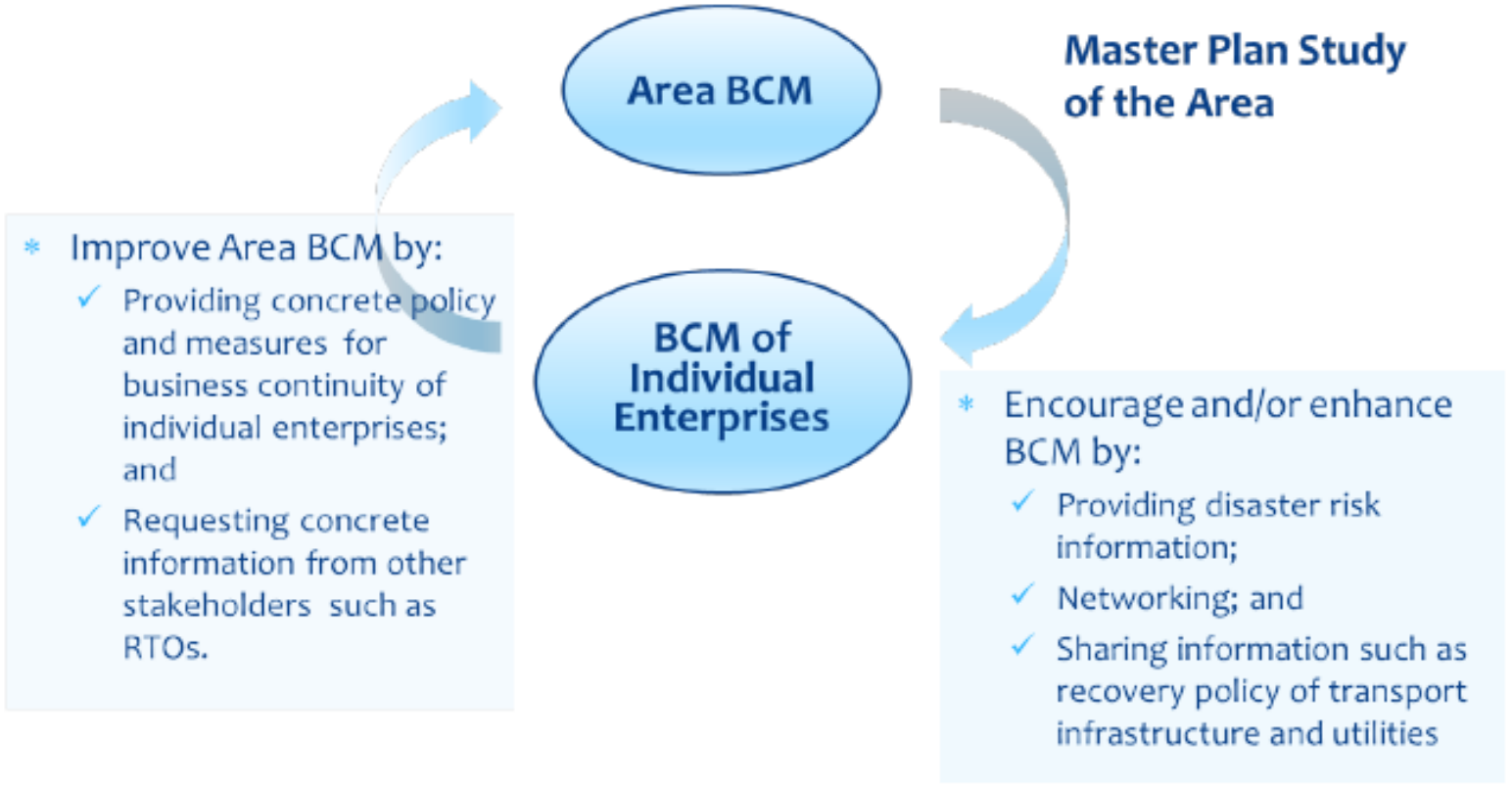

JICA (2015)

– **This can be an effective way of engaging SMEs and Developing / improving BCP of individual SMEs**

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Plenty of research opportunities on engaging SMEs in ABCP / ABCM

Interested?

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