

# Data for Action:

## 3 Facts to Strengthen Resilience for Arizona Small Businesses



by Julia Silver, Vivian Cruz, and Rosario Majano

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## ABOUT LPPI

The UCLA Latino Policy and Politics Institute addresses the most critical domestic policy challenges facing Latinos and other communities of color through research, advocacy, mobilization, and leadership development to expand genuine opportunity for all Americans.

## ABOUT TEREP

This brief is part of UCLA LPPI's [The Economic Recovery & Entrepreneurship Project \(TEREP\)](#), a partnership with the [UCLA Center for Neighborhood Knowledge](#). TEREP provides timely data and resources for key stakeholders who support Latine entrepreneurship in the United States. The initiative focuses on equipping Latine business-serving organizations, policymakers, and business owners with the community-informed research they need to meet the challenges of a 21st-century economy.

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## INTRODUCTION

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Arizona small businesses are a vital part of the state's economy. The Grand Canyon State is home to over 650,000 small businesses, making up around 99% of all Arizona businesses.<sup>1</sup> Over 42% of Arizona workers are employed by small businesses.<sup>2</sup> While such businesses are vital to Arizona, many face unique challenges in an ever-changing economy and the impacts of climate change. As Arizona's economy faces increasing risks from climate change, assessing the disaster preparedness of small businesses becomes essential. Understanding their unique challenges provides a foundation for policymakers to develop targeted interventions that ensure small businesses can keep their doors open and continue contributing to the State's economy.

Across the nation, small businesses encounter significant obstacles in preparing for and responding to climate change as they often face more financial constraints than larger firms.<sup>3</sup> Every year, Arizona experiences recurring climate impacts such as extreme heat, drought, and wildfires,<sup>4,5</sup> all of which have direct economic losses for small businesses.<sup>6</sup> With the increasing frequency and severity of extreme weather, small businesses across the State face substantial risks if not prepared adequately.

In 2022, the Federal Reserve's Small Business Credit Survey found that about 1 in 7 Arizona small businesses reported experiencing losses from natural disasters in the prior year.<sup>7</sup> Considering that small businesses make up the majority of Arizona's businesses, the consequences of climate change pose an increasing risk to the local communities that rely on these businesses for revenue, employment, community contributions, and the State's overall economy. Despite these risks, few businesses have measures in place to reduce their risk in the face of natural disasters.

In this data factsheet, we use data from our 2022 survey of small businesses to examine the relationship between emergency preparedness, perception of climate change risk, formal sustainability planning, and business location type. Emergency preparedness refers to the steps small businesses' take to ensure their business is safe before, during, and after an emergency or natural disaster. The survey measured three dimensions of emergency preparedness by asking businesses if they had natural disaster insurance (flood, earthquake, or fire insurance), purchased a generator, and implemented measures against flood and wind damage.

## DATA

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Our findings stem from a convenience sample survey of over 400 small business owners and managers across Arizona, offering valuable insights, though not fully representative. The telephone survey was conducted by UCLA LPPI and the UCLA Center for Neighborhood Knowledge between September 2022 and September 2023. The survey featured 52 questions on topics such as access to capital, technology, cybersecurity, recovery from COVID-19, environmental sustainability practices, climate change impacts, and energy costs.

The key findings focus on five key questions: Is this a home-based business? Do you have flood, earthquake, or fire insurance? Have you taken steps to flood- or wind-proof your facility? Do you have a backup generator? Does your business have a formal sustainability plan? Findings are reported only for statistically significant results ( $p < 0.05$ ), with sample sizes varying across key findings, as not all respondents answered every question.



# Key Findings



## 1. Home-based businesses were less likely to have natural disaster insurance than storefront businesses.

Insurance boosts resilience for small businesses by offering financial protection during severe economic hardship caused by natural disasters. It also helps them recover faster by providing financial support after a disaster. Despite these protections, our findings show that over a quarter (29%) of all surveyed small businesses reported not having disaster insurance.

The data reveals significant disparities in disaster insurance coverage among small businesses, particularly when comparing home-based businesses to storefronts. About 50% of home-based businesses did not have disaster insurance compared to 21% of businesses with a storefront. While limited research exists on home-based businesses in Arizona, our findings highlight a gap in natural disaster insurance for home-based small businesses. This suggests that business location type may be a critical factor in insurance accessibility and affordability, highlighting an area for targeted policy intervention to improve the ability of small businesses to recover quickly from a flood, earthquake, or fire.

**Figure 1: Flood, earthquake, or fire insurance coverage by business location type**



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Note: Valid sample size = 388; excluded respondents that answered "not sure" or "don't know".

Source: LPPI analysis of original survey data collected by WestGroup Research between September to November 2022.

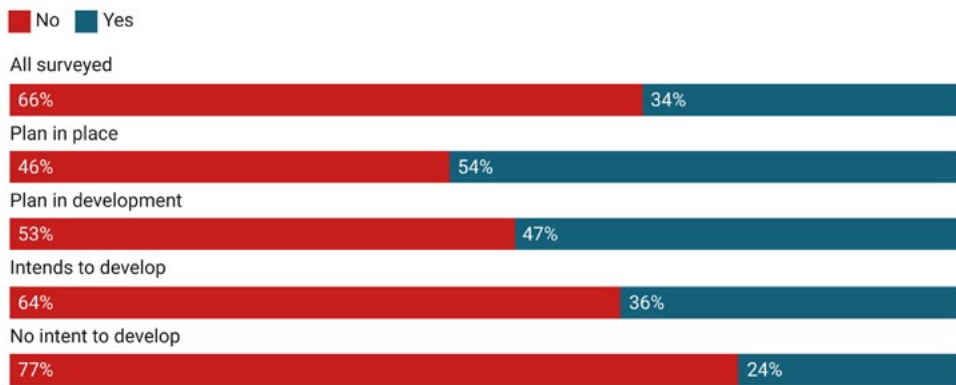
2.

**Small businesses with sustainability plans were more prepared for emergencies from natural disasters than those without.**

Integrating sustainability efforts with emergency preparedness is essential for small businesses,<sup>8</sup> especially as climate change intensifies natural disasters. Research shows that businesses with formal sustainability or resilience plans are generally better prepared for natural disasters than those without.<sup>9</sup>

Our data also shows that businesses with an established environmental sustainability plan are better prepared for emergencies such as natural disasters. For example, 54% of businesses with a sustainability plan had a generator, compared to 24% without one. Similarly, 41% of businesses with a plan had implemented wind or flood protections, versus 19% without. These findings suggest that sustainability planning can enhance small business resilience during extreme weather events and natural disasters.

**Figure 2a. Obtained a generator by formal environmental sustainability planning**

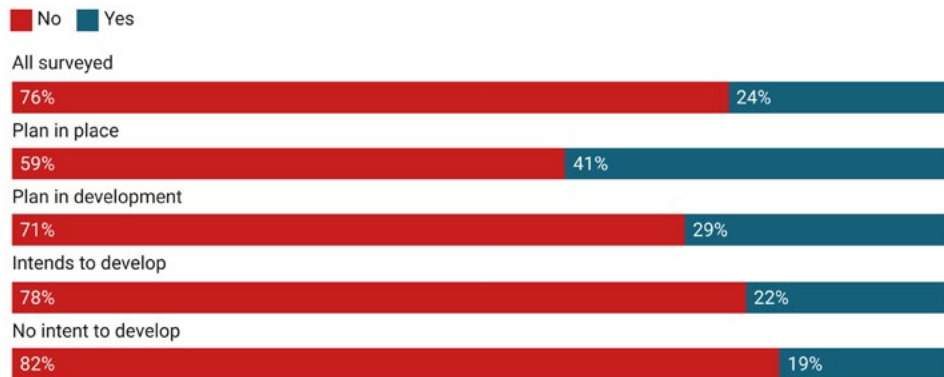


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Note: Valid sample size = 391; excluded respondents that answered “not sure” or “don’t know”.

Source: LPPI analysis of original survey data collected by WestGroup Research between September to November 2022.

**Figure 2b. Taken action to flood-proof or wind-proof facility by formal environmental sustainability plan**



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Note: Valid sample size = 391; excluded respondents that answered “not sure” or “don’t know”.

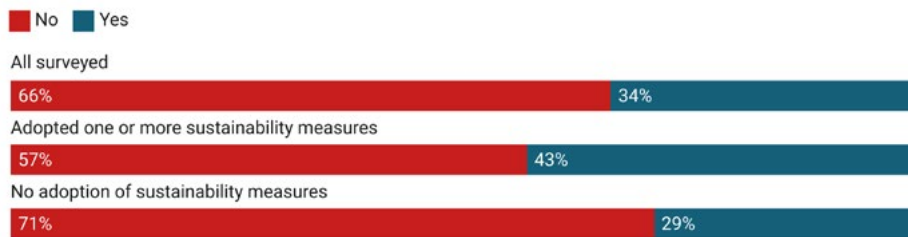
Source: LPPI analysis of original survey data collected by WestGroup Research between September to November 2022.

### 3.

## Small businesses that adopted sustainability measures were more likely to invest in emergency preparedness than those who did not.

Among surveyed small businesses, those with sustainability measures were more likely to have purchased a generator and implemented flood and wind protection measures than those without. Sustainability measures include increased use of energy-efficient technology and equipment, installation of solar panels, purchasing or replacing vehicles toward a zero-emission fleet, reducing waste and water consumption, increasing recycling, and developing sustainable products and services, among other measures. Surveyed businesses with sustainability practices in place were more likely to have a generator (43%) than those without (29%); and more likely to have implemented flood and wind protection measures (29%) than those without (20%). These findings suggest that sustainability-focused businesses are investing in preventative measures to protect their businesses from disasters and adopting broader practices to enhance their overall resilience and environmental responsibility.

**Figure 3a. Obtained a generator for business by sustainability measure adoption**



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Note: Valid sample size = 389; excluded respondents that answered “not sure” or “don’t know”.

Source: LPPI analysis of original survey data collected by WestGroup Research between September to November 2022.

**Figure 3b. Flood and wind protection insurance for business by sustainability measure adoption**



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Note: Valid sample size = 375; excluded respondents that answered “not sure” or “don’t know”.

Source: LPPI analysis of original survey data collected by WestGroup Research between September to November 2022.

## CONCLUSION

This brief highlights Arizona small businesses’ general lack of emergency preparedness. Our findings show that home-based businesses are less protected than storefronts during emergencies like natural disasters. Additionally, we find that small businesses that have invested in environmental sustainability planning and measures are better prepared for emergencies than those businesses that have not. The brief underscores the need for greater awareness and policy action to bolster climate change knowledge and sustainability planning so that small businesses can thrive as pillars of the local economy during challenging weather events.

# Endnotes

1. U.S. Small Business Administration Office of Advocacy, “2023 Small Business Profiles, Arizona,” [available online](#).
2. Ibid.
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5. United States Environmental Protection Agency, “What Climate Change Means for Arizona,” 2016, [available online](#).
6. Brianna Funderburk and Misera Lucas, “The Impact of Natural Disasters on Small Businesses,” Fed Small Business, November 2022, [available online](#).
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