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Rural SME resilience and well-being in the face of multi-faceted crises: A comparison of Aotearoa New Zealand and Wales

Objectives

The paper undertakes a comparative study of the resilience and well-being of rural small and medium-sized enterprises (SMEs) in Aotearoa New Zealand and Wales (UK). This is influenced by the increasing emphasis on resilience among SMEs, which has become more pronounced since the impacts of the Covid-19 pandemic, and an emerging emphasis on well-being as an alternative to growth-focussed models. The comparative study is developed because Aotearoa New Zealand and Wales are two of only three countries that have passed well-being legislation (as well as Iceland), thus similarities exist in the focus on well-being, and the importance of the rural economy to both countries. Differences exist in the application of policy between the two. Both countries have experienced the challenges of Covid-19, cost of living crisis, and global supply issues, while unique challenges are seen in Aotearoa New Zealand on labour markets, and Brexit in Wales.

The paper aims to develop: a holistic understanding of the issues that rural SMEs experience during these multifaceted crises; and a robust framework that can support rural SMEs through multifaceted crises. This framework includes examples of 'good practice' and innovative business models, as well as recommending relevant policy interventions to support rural SMEs.

Literature Review

SMEs are the backbone of most economies, representing 97% of all businesses in Aotearoa New Zealand, and 99.3% of businesses in Wales; and, therefore, support a large proportion of jobs, contribute to wealth creation, and play a significant role in local, regional, and national economies. Recent times have seen a series of multifaceted crises which have impacted the global economy, with widespread economic effects experienced. During times of crisis, SMEs are vulnerable to such economic shocks due to limited access to resources (Shields, 2005), with rural SMEs particularly vulnerable, since they are less likely to possess relevant resources that would be needed to overcome these challenges, and they do not benefit from the spillover effects that exist in urban areas (Ferreira, et al., 2016), where more businesses are in close proximity and can share resources.

This research is viewed through the resource bricolage lens, derived from the work of Levi-Strauss (1967, p.17) on resource-scarce innovation processes, and refers to making do with 'whatever is at hand'. Resource bricolage supports businesses in overcoming a shortage of optimal resources through localised activities, including local sourcing and community involvement (Korsgaard et al., 2021). Kwong *et al.* (2017) point to collaborative action through resource bricolage of sharing resources with external partners for mutual benefit. Recent research involving bricolage investigated entrepreneurial business resilience during the Covid-19 pandemic, as businesses engaged in bricolage activities, such as relying on relational capabilities, building up financial capabilities, and support to develop resilience. This paper builds on existing research on resilience during the Covid-19 pandemic by exploring the ability to be

resilient in the context of multifaceted crises. The elements of community, collaboration and resilience discussed by Kuckertz *et al.* (2020) align with principles of well-being established in well-being legislation, such as in Wales and Aotearoa New Zealand.

Approach/Method

Given the aims of investigating the resilience and well-being of rural SMEs, a qualitative methodology is undertaken. Aotearoa New Zealand and Wales were chosen as research locations for the comparison due to their similarities in adopting well-being legislation, the importance of the rural economy, and the impact of multi-faceted crises in both countries, with differences in administering well-being policy, and specific place-based crises. Data was obtained and analysed from semi-structured interviews with rural-based SME owner-managers in Aotearoa New Zealand and Wales, in order to answer the following research questions:

1. What are the main challenges and opportunities that rural SMEs face?
2. How resilient are rural SMEs in the face of multifaceted crises?
3. What support do rural SMEs need to develop greater resilience?

Specifically, the research method involved: (i) an in-depth review of the literature on SME resilience and well-being; (ii) the design of a qualitative research protocol; and (iii) semi-structured interviews with SMEs to explore their experiences in depth. A total of 15 interviews were conducted in Aotearoa New Zealand and 14 in Wales. Thematic analysis was used to analyse interview data following the Braun and Clarke (2006) six-step process.

Results/Findings

Findings showed that rural SMEs in both Aotearoa New Zealand and Wales faced multi-faceted challenges, but were able to take advantage of opportunities to develop resilience within the business model, through different forms of support.

Recent years have seen SMEs face a series of multi-faceted challenges, with respondents in both countries alluding to the impacts of Covid-19, the cost-of-living crisis, the War in Ukraine and global supply chain issues as notable factors, however, country-specific challenges were evident through labour market issues in Aotearoa New Zealand, and Brexit in Wales. A notable theme from the data across both countries was the pressure from rising costs on SMEs on several fronts, from energy costs, good and materials, and operational costs, ultimately squeezing profit margins. This also coincided with a reduction in consumer spending due to less disposable income, leading to a two-pronged impact on rural SMEs.

Despite the challenges, many respondents displayed resilience in their business models through the ability to adapt to new activities, while others were more dependent on support through subsidies. Several respondents pointed to the experiential learning acquired during the Covid-19 pandemic as a factor in the way in which they were able to manage the more recent challenges, as it has created a change in mindset towards operating in a more flexible manner by being less rigid to their initial business model

and spreading the risk across various activities rather than relying solely on a main activity. From a bricolage perspective, the application of resources in a different way meant that, where possible, SMEs were able to develop sustainable growth, by ensuring that new activities could be developed using existing resources. Findings from this research lead to the co-creation of a framework for supporting rural SME resilience based on sustainable growth and the well-being of rural SMEs.

Value and Implications

This paper contributes to knowledge on SME resilience, focussing particularly on rural SMEs and the specific challenges that they face in relation to challenging economic times. The originality of the paper is its focus on well-being, and how well-being policy could influence the sustainable development of rural SMEs. The comparative nature of the research between Wales and Aotearoa New Zealand is significant, as these are two of three countries (as well as Iceland) worldwide that have passed well-being legislation, an emerging trend in national policies.

Implications for policy include an overview of the importance of well-being to rural SMEs, as well as their awareness and application of well-being in their business activities. Findings point to the need for better communication on well-being policies and how they apply to businesses. Practical implications of this research would enable rural SMEs to better evaluate their ability to be resilient, and reconsider how they see the development of their business. Well-being principles offer businesses a way to reconsider how they operate in a more sustainable and responsible manner. Future research should consider how the effectiveness of well-being policies could be measured on local economies.