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Supporting Rural SME Resilience During Times of Crisis

Topic: This paper investigates how rural SMEs use various forms of support to ensure that they develop resilience during times of crises. Since the Covid-19 pandemic, small business have experienced a continuous period of crises, having to face challenges from impacts of the war in Ukraine, the cost of living crisis, periods of high inflation, global supply chain issues, global geopolitical tensions, and effects of climate change. While SMEs are seen to be more vulnerable to periods of economic difficulty compared to larger businesses due to a limited resource allocation, this is seen to be more pronounced among rural SMEs, which lack access to resources, limited infrastructure and less spillover effects. The role of support, derived from friends and family, local businesses, consultants, support organisations, banks, or government departments, plays an important role in ensuring that businesses can be resilient to these periods of economic difficulty.

Applicability to the conference theme – ‘Collaborating across Entrepreneurial Ecosystems: opportunities for inclusion, innovation, sustainability, resilience and growth’: This research aligns with the conference theme by investigating the different types of support that rural SMEs access to develop resilience to periods of crisis. This involves an ecosystem of various support actors that provide SMEs with different types of support to develop resilience to the crises.

Aim: The aim of this research is to critically evaluate the support that rural SMEs receive to develop resilience during times of crises. While previous research on crisis management has looked at SME resilience in relation to individual crises, such as the 2008 Global Financial Crisis, the 2011 London Riots, or Hurricane Katrina in 2005, this research looks at a period of multifaceted crises that has occurred since the Covid-19 pandemic, in which rural SMEs face challenges from multiple crises. This research is viewed through a dynamic capabilities lens, evaluating how support relates to three dynamic capabilities elements of sensing and shaping opportunities and threats; seizing opportunities; and maintaining competitiveness through transferring and reconfiguring the businesses.

Methodology: Data is gathered from 25 semi-structured interviews with SME owner/managers in Wales (12 interviews) and New Zealand (13). These locations were selected for their rural locations that experience limited infrastructure and connectivity issues. Participants were selected through maximum variation sampling to ensure that rural businesses of various characteristics were represented, covering different sizes, locations, and business activities. Data was analysed through thematic analysis and the Gioia method to present the main themes and sub-themes from the data.

Contribution: This paper makes two contributions to knowledge. Firstly, it investigates the resilience of rural businesses to periods of continuous crises. While previous research has explored individual crises, this research considers the ways in which rural businesses need to develop resilience to multifaceted crisis, as has been the case in the post-Covid period. Using a dynamic capabilities lens, this resilience is explored in relation to the three elements of dynamic capabilities, underlining that businesses are good at sensing opportunities and threats

and seizing opportunities, but are less likely to explore the reconfiguration of capabilities to develop more innovative opportunities. Secondly, the paper critically evaluates the support that is required to help rural SMEs overcome the threats of periods of crisis. Aligning with dynamic capabilities theory, support is most useful in the sensing and seizing elements of dynamic capabilities, leading to the resilience of the businesses, however, this support ends before it can lead to the reconfiguration of capabilities.

Implications for policy: Policy implications from this research underline the role of support in ensuring that businesses can develop resilience, in the first instance, and can then look to developing more innovative practice. Research findings between Wales and New Zealand show that Welsh SMEs had greater access to support from both the Welsh and UK governments, with additional indirect support through a reduction in levels of VAT and business rates relief, while in New Zealand less government support was available, and grants that were available from the government were not widely accessed by rural businesses. Effective support strategies can therefore ensure that businesses have the right conditions in which to develop resilience to crises.

Implications for practice: Practical implications point to the ways in which rural SMEs develop resilience from applying their capabilities in different ways during times of crises, and how businesses can learn from best practice to optimize their resilience. Distinctions are made between the resourcefulness of the business and the mindset of the SME owner/manager in exploring opportunities during the period of crises, rather than being confounded by the challenges of the crises.