

Robust *rural* businesses in time of crisis - The role of resources and capabilities

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ROBUST Entrepreneurship in times of crisis – in tourism and food sector



Aim of study

- Investigate the impact of the Covid-19 pandemic on artisan food and tourism entrepreneurs in Norway and Sweden.

Why interesting?

- Add knowledge on the situation and dynamics of a vulnerable group of rural firms,
- Important firms to the economy and employment in rural areas

Research questions

- **Which strategies have rural firms taken to cope with the pandemic and what seems to have influenced their choices and results?**
- **What creates a robust rural business in time of crisis? [What is the role of resources and capabilities](#)**

Covid-19 situation and governmental action

Large differences across countries in the choice of strategy to contain the virus (see Baker et al 2021)

Sweden and Norway government had very different approaches the pandemic even if share many similarities in population, educational and political systems

Norway

- Strict measures
- Lockdown and closed everything except grocery stores and pharmacies in the early days
- Several waves of openings and new restriction
- Tourism and restaurants hit hard
- Support: -bank loans, cash support and new layoff rules with the government contributing most of the unemployment benefits, etc

Sweden

- No lockdowns, but overarching societal restrictions
- Tourism and restaurant industry hit hard by the pandemic and the restrictions
- Unclear to the public and firms what the restrictions meant, as they were not «mandatory», but rather «recommendations»
- Support: - subsidized rent to the most-affected businesses, as well as bridge loans to small business start-ups

Theory (Jorunn og Kristin)

- **Entrepreneurial orientation (EO):** Most studies argue that it is beneficial to firms to have high **EO**, since firms may capitalize by being more innovative, proactive and risktaking (Covin & Slevin 1989; 1996; Wales et al. 2021). **Taking risks in crisis may go either way.**
- **Resource-Based View (RBV):** The core idea behind the **RBV** is that a firm's competitive advantage stems from its **idiosyncratic (unique) resources**, also called VRIO-resources (Barney, 1991). **Is this also valid in crisis?**
- **ROBUST business - entrepreneurial resilience (ER).** The ability of the entrepreneur to sustain business in the face of toughness or difficulties (Dzingirai and Ndava 2021). **ER** depends on several aspects, such as context, organizational behavior, resources and capabilities.

Method

- Data gathered as part of an Interreg N/S project: *Robust entrepreneurship in times of crisis. Transformation, ecosystems and digital maturity in the tourism and food industry Interreg Sweden-Norway.*
- Digital surveys sent out to Mid-Nordic tourism and artisan food firms in the fall of 2021 (The regions of Trøndelag and Jämtland). Responses n=215 (rr 26%), 155 (S) and 60 (N)
- Themes covered in the survey were
 - how the pandemic has influenced the company
 - attitudes and actions taken
 - resource and financial situation
 - digital competence and strategies
 - change in demand and distribution
 - entrepreneurial support and network.
- The survey data was processed and analyzed in SPSS which included correlation and regression analysis.

Characteristics	Norway	Sweden		Norway	Sweden
<i>Age, Business</i>			<i>Age</i>		
0- 3 years	7%	14%	Younger than 30	2%	1%
4-9 years	33%	20%	30-39 years old	12%	11%
10-19 years	33%	33%	40-49 years old	33%	26%
20 years or older	27%	33%	50-59 years old	33%	37%
			60 years or older	20%	25%
<i>Corporate form</i>			<i>Gender</i>		
Ltd	59%	55%	Women	50%	46%
Privat firm	34%	32%	Men	47%	52%
Other forms	7%	13%	Will not specify	3%	2%
<i>Sales 2019</i>			<i>Education</i>		
EUR 0	4%	5%	Primary school	0%	6%
EUR 0- 10 000	7%	8%	Secondary school	35%	45%
EUR 10 001- 50 000	13%	20%	University 3 years	32%	21%
EUR 50 001 - 100 000	16%	12%	University more than 3 years	33%	28%
EUR 100 001 - 300 000	23%	21%			
EUR 300 001 - 500 000	5%	11%	<i>Active business</i>		
EUR 500 000 or more	32%	23%	Yes	98%	100%
			No	2%	0%
<i>Employees 2019</i>			<i>Industry</i>		***
No employees/The owner(s)	27%	40%	Artisan food	22%	22%
1-4	36%	33%	Hotel & Restaurant	19%	33%
5-9	17%	11%	Tourism and experience	0%	13%
10-19	9%	10%	Diversified business	59%	32%
20 or more	11%	6%			

Descriptive statistics Norway & Sweden

More diversified
businesses in Norway

Preliminary results 1- Actions taken:

- **Most companies made changes during the first 1-4 months of the pandemic.**
- **Most common actions**
 - “need to find new **customer groups**” (**N50%**, S28%)
 - “change in marketing” (**N49%**; S-) and
 - “**reduced cost**” (**S41%**; N30%).
 - “change in business model” (N30%, S-)...
 - “change in distribution” (N37%; S22%).
- **Important network: personal network (N55%; S47**, industry network (N43%; S31%) and the municipality (N37%; S11%), has been important to the businesses during the pandemic. **Municipality seem less important in Sweden.**

Preliminary results 2 - Effects

- **Long term effect perceived more positive in Norway:** Norway (51%) vs Sweden (36%)
- **Led to more opportunities and innovation in Norway:** More than 50% of the Norwegian businesses respond that “The pandemic has led to new opportunities for the business” and that “the pandemic has led to product and service development”. In Sweden, only 23% share this view.
- Surprisingly, many businesses expect a better result in 2021 compared to 2019. Norway 73% and Sweden 42%
- **A more positive view among the Norwegian entrepreneurs compared to the Swedish.** May be due to industry differences in the two countries (local food), more support, more “time off” to plan?

Effects of the pandemic, Country level and Industry (aggregated level)

	Not at all / to a low or very low extent	To a high or very high extent	Chi ²	
Norway	34%	66%	7.679	#
Sweden	26%	74%		
Artisan food	50%	50%		
Hotel, camping, Restaurant and Café	11%	89%	59.565	***
Tourism and experience	13%	88%		
Diversified business	30%	70%		
# p<0.1; *** p < 0,001				

Prerequisites – Before the pandemic

To what extent do the following statements correspond to the business?	Mean All (1-5)				
		Norway	Sweden		
The place where the business is located is important in order to run the business	3.92	3.53	4.05	**	
The company's management is positive about the digitalization of the business	3.83	3.93	3.79		
The company has sufficient knowledge of how sustainability issues are included in the business	3.68	3.91	3.6	*	
The company's goods and services are in line with the EU's sustainability goals	3.6	3.62	3.6		
The company has access to well-functioning broadband	3.62	3.78	3.56		
The competence in the company is difficult for others to copy	3.37	3.42	3.35		
The company has sufficient knowledge to use new technology and digital innovations	3.17	2.98	3.23		
The company collaborates with other companies in the area.	3.24	3.43	3.17		
The revenue mainly come from the local market (within the county)	3.15	3.21	3.13		
The company has a unique product that is difficult to copy	3.26	3.65	3.11	**	
The company has many competitors operating in the same area	3.04	2.59	3.07		
It is easy to attract staff with the necessary skills	2.66	2.31	2.79	*	
Before the pandemic, the company had a large financial buffer	2.84	3.28	2.69	***	
The company has near contact with the region's business developers	2.7	3.06	2.58	*	
The company can to a large extent be managed remotely	1.52	-	1.52		
# p < 0,1; * p < 0.05; ** p < 0.01					

Measures

Variable	Items (question)	Type
Dependent ROBUSTNESS (results-performance)	Increased sales Increased <ul style="list-style-type: none"> • Klarte pandemien bedre enn bransjen (?) • Høgre omsetning 2021 • Syn på framtiden • Tips, overlevelse 	1-5? Dikotome? numeric
Controls	<ul style="list-style-type: none"> • Country • Age • Gender • Education • Age business 	
EO Evt separate into Innovativeness and proactivity Risktaking (ref Soinenen et al.)	<ul style="list-style-type: none"> • Vi er stadig på søken etter nye kreative løsninger • Vi er villig til å ta høy risiko i nye satsinger • Kontinuerlig fornyelse og innovasjon er viktig for virksomheten • Vi satser på å utvikle nye produkter, tjenester og forretningsmetoder • Vi satser på å være i forkant av våre konkurrenter m.flere.	1-5
Resources <ul style="list-style-type: none"> • Network/collaboration • Education • Unique competence • Location • Bredbånd • Finansiell buffer 	Vi samarbeider med andre virksomheter for å utvikle oss, etc	(various)

Robustness

A mean value was created based on the following questions:

- How have the pandemic affected the company's:
 - liquidity
 - competitiveness
 - profitability
- How is the turnover expected to be in 2021?
- How is the long-term effect of covid19 expected to be?

A five 5-point Likert-type scale, anchored by 1 = Much lower than before the pandemic, to 5) Much higher than before the pandemic.

1) strongly negative to 5), strongly positive)

	Mean	SD	(1)	(2)	(3)	(4)
1. Changes in liquidity	2.61	1.206	(-)			
2. Changes in competitiveness	3.08	0.943	.584**	(-)		
3. Changes in profitability	2.62	1.243	.871**	.637**	(-)	
4. Long-term effects of Covid19	3.07	1.026	.677**	.608**	.711**	(-)
5. Changes in turnover 2021	3.23	1.206	.593**	.458**	.605**	.517**

Reliability Statistics

Cronbach's Alpha	N of Items
.892	5

Result 1 – significant differences (Cecilia?)

- The results presented in Åre

Result 2 What creates robustness? Influence of resources and capabilities

- Testing hypotheses, still working on...

EO

- Higher EO - innovativeness and pro-activeness- gives increased robustness
- Higher EO risktaking give reduced robustness

RBT

- Unique resources gives better robustness, etc
- Having a financial buffer leads to better robustness
- Digital maturity
- Unique knowledge
- Network (which type of network?)

Conclusion (need to add here!!)

- The study adds knowledge on how entrepreneurs and businesses within the artisan food and tourism industry have reacted to the challenges posed by the pandemic and which factors that have influenced their actions.
- We are in process of further exploring which strategies the firms have taken to handle the situation and what has influenced their choice and result, such as resources, entrepreneurial attitudes, network and support system.

Contribution to theory and practice:

- The study will increase knowledge on what creates robust rural businesses in times of crisis
- Add knowledge about how businesses, in two neighboring countries, have handled the pandemic differently depending on various conditions and capabilities.
- What has influenced action and results
- Artisan food and tourism industry critical to many rural areas, how to handle future crisis?

- What is (most) interesting?
- Questions?